EUROPE'S BUSINESS NEWSPAPER

FINANCIALTIMES

Wednesday July 26 1989

UK ECONOMICS

'Soft landing' is wishful thinking

Page 21

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World News

No.30₋904

Ruling Soviet appeals for calmness and unity

An urgent appeal for unity and calm in the Soviet Union in the face of the latest outbursts of race riots and indus-trial unrest was issued by the Supreme Soviet, Moscow's revi-talised national parliament. The appeal came as ethnic tension in the republic of Geor-gia spread from the Black Sea coast to the regional capital, Toilisi. Page 22

Bloch under scrutiny Felix Bloch, a top US diplomat suspected of espionage, is at the centre of a bizarre surveillance exercise by the FBI, Soviet embassy personnel and journalists. Page 22

Star Wars setback US House of Representatives voted to cut 'Star Wars' antimissile research from \$4.9bn to \$3.1bn, despite arguments that this would delay a decision on deploying the defence system until the next century.

Hungarian reform President Mikhail Gorbachev gave a warm reception for plans for multi-party democracy in Hungary. Page 2

Israeli plans

\$5015 ARD

ALERO SECURE

Israel is reviving controversial plans to rehouse 350,000 Pales-tinian refugees living in camps in the Gaza strip and the West Bank. Page 4

Brazilian corruption A melodramatic exchange of corruption allegations all but sank a spirited attempt by President Jose Sarney of Brazil to rehabilitate his widely discredited government.

US judge granted the request of special prosecutor Lawrence Walsh to dismiss some serious charges against former National Security Adviser John Poindexter in the Iran-Contra case.

Japanese union role Japanese trade unions have returned from the political wilderness to play a key role in the current crisis after scoring

election victories. Page 4

Cambodian impasse Talks between leaders of Cambodia's rival factions have broken up only days before an international conference to solve the country's problems.

Khashoggi bail set A US federal judge set bail at \$10m for Saudi Arabian financier Adnan Khashoggi, charged with aiding former Philippine president Ferdinand Marcos in a real estate fraud.

HK refugee clash Clash developed between the Hong Kong Government and UN staff who claimed a number of Vietnamese refugees

were beaten up by police. Ku Kkux Klan course Seven former members of the Ku Klux Klan in the US have

agreed to take a course in race relations. President elected

Spanish socialist Enrique Baron was elected president of the European Parliament.

Rebels down aircraft Angola's Unita rebels shot down a plane on an internal flight, killing 42 people.

Business Summary

US considers new taxes on foreign takeovers

is considering a proposal, which has the tacit approval of the Bush Administration, that would impose new taxes on foreign buyers of US companies — a move which could affect the proposed £13bn (\$21bn) over of BAT Industries, the UK conglomerate.

The proposed Bill would impose a 30 per cent withholding tax on the sale proceeds when US subsidiaries acquired by foreign companies are then disposed of. Page 23

NIKKEI average advanced 445.57 to a record high of 34,538.90, the first time the Nik-

Nikkei Average (*000)

kei average has reached a new high since May 31. Page 46 STC, UK electronics group, is discussing joint ventures with European partners for its ICL subsidiary. Page 23

CHRISTIES International, UKbased art dealers, reported worldwide sales exceeding \$1.6bn for 1988-89. Page 28 OECD, Organisation for Eco-nomic Co-operation and Devel-opment, called on Portugal to take urgent steps to cool its economy. Page 2

M&A, specialist magazine, surborder mergers and acquisi-tions in Europe grew with deals valued at almost \$16.60m. Page 23

CONTROL Data, US computer group, reported a near \$500m loss following major restruct-uring moves. Page 23

TEXAS Rastern. US gas transmission company, may pull out of a \$961m deal to sell its UK oil and gas subsidiary to Enterprise Oil, UK independent oil company. Page 23

CBL, UK employers organisa-tion, said optimism about UK business outlook was at sevenyear low. Page 22

SOUTH Korea is opening its market to imports of tropical products from developing countries. Page 3

MOLSON Companies, Cana dian brewer, is committing up to \$112.1m to secure manent control at Elders IXL, Australian beer-based com-pany. Page 26

MOBIL, US-based oil company, reported sharp drop in earn-

ings. Page 25 AIRBUS Industrie has received firm orders for 34 new long-range jets. Page 3

HOOKER Corporation, financially troubled Australian property and retail company with US interests, said a group of its bank lenders terminated a four-mosth moratorium on its debt. Page 26

NYCOMED, pharmaceutical division of Hafshund Nycomed, Norwegian group, signed research agreement with US-based Smith, Kline and French Laboratories. Page 3 BRITISH Nuclear Fuels, UK reprocessing company, revealed an outline agreement with West German Govern-ment to reprocess spent fuel.

SOVIET bilateral trade with Turkey is expected to increase to \$900m this year. Page 3

NatWest directors resign over financial scandal

THE chairman and three of the ten executive directors of the National Westminster Bank, the UK's largest financial institution; resigned yesterday in the country's biggest financial scandal for many years.

The resignations come after five days of mounting pressure on the bank following the publication of a highly critical report by Department of Trade and industry inspectors into its handling of an unsuccessful £837m (\$1.3bn) rights issue by employment group Blue Arrow two years ago. Lord Boardman, the bank's

chairman, in a scene unprece-dented in the City of London's recent history, presented his resignation on the steps of Nat-West's headquarters in the shadow of the Bank of

shadow of the Bank of England.
He said that he was departing because he could not accept the criticisms which had forced the resignation of the three main board directors. Mr Terry Green and Mr Charles Green, who as the book's two departs chief execubank's two deputy chief execu-tives were part of its core man-agement team, and Mr John Plastow, director responsible for related banking services. In a letter to the Governor of

the Bank of England which had pressed for the resignation, Lord Boardman claimed that the DTI inspectors' account of the directors' involvement in the Blue Arrow affair was "innacurate in some respects and unfair in its con-

He also said that, contrary to DTI guidelines, the directors had not been given the chance to challenge evidence given to the inspectors or to counter

some of the criticisms.

Lord Boardman said his resignation also reflected his willingness to accept "ultimate responsibility" for failings at the bank.

NatWest's investment bank-ing subsidiary, County Nat-erness.

Ms F west, was criticised by the inspectors over its attempt to disguise the fact that Blue Arrow's rights issue was a flop. In the process, it misled the market and failed to comply with the Companies Act, they

The inspectors - Mr Michael Crystal QC and Mr David Lane Spence of accountants Grant Thornton – attributed part of the blame for this to the directors and said that their conduct of the directors fell "below that to be expected from responsible senior executives" of NatWest.

They were also attacked for not knowing enough about Page 20; Lex, Page 22

County's business to ask the questions that would have led

questions that would have led them to discover how the rights issue was handled.

The DTI said that it had received no direct complaint from NatWest about the conduct of its inspectors. However, it was up to them whether or not they allowed people to respond to criticisms, it said. The guidelines referred to in Lord Boardman's letter were not a strict rule. not a strict rule.

The resignations were generally applauded in the City, where it had been widely believed since an emergency NatWest board meeting on Sunday that at least the three directors would go. Institu-tional shareholders and analysts said that it was inevitable that those named in the report would have to leave the bank although several expressed surprise that the chairman had opted to go as well.

Lord Boardman, 70, was due to retire at the end of this year to make way for Lord Alexander, who is currently chairman of the Takeover Panel. Lord Boardman has accepted a request from the board to delay his departure from the bank until the end of September, when Lord Alexander will be free to take on the job.

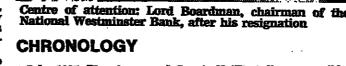
The resignations mean that

the directors are likely to escape investigation by the Bank of England, which has a duty under the Banking Act to ensure that the managers of banks are "fit and proper". Since they are no longer direc-tors of a bank, there is no reason for the Bank to investigate

For similar reasons, the investigations of The Securities Association could be trun-cated by the spate of resigna-tions. Mr Terry Green was a member of the Association, which has a responsibility under the Financial Services Act to assess fitness and prop-

was compliance director at County at the time of the Blue Arrow affair, has resigned from a similar position at Charterhouse. However, the bank said that it was exploring other roles for her.

Union Bank of Switzerland, the parent of UBS Phillips & Drew, which was also embroiled in the Blue Arrow affair, said that it was still looking at the position of two employees involved and that it would make a statement within 48 hours. Resignation letters, Page 6;



•July, 1987: Blue Arrow and County NatWest discuss possible-bid for Manpower; Blue Arrow buys Manpower shares but avoids Class 2 disclosure to stock exchange; Wells and Reed inform NatWest executives of hid plan.

 Ang: Bid for Manpower announced, and rights issue of £837m. Sept: Blue Arrow wins bld; rights issue closes only 38 per cent subscribed; County Natwest, Phillips & Drew and Dillon Reed take up shares, and acceptances rise to 48 per cent; County briefs NatWest and Bank of England.
 Sept-Oct: County distributes its holding to avoid disclosing

total stake. Dec: NatWest board assured arrangements are legal; NatWest

discloses holding in Blue Arrow; UBS holding still undisclosed.

• Feb, 1988: County chairman and chief executive resign as County reports losses of £116m; NatWest launches internal

◆Dec: Department of Trade and Industry announces inquiry. ◆July, 1989: The DTT's long-awaited report issues severest public criticism ever of a British bank.

Brussels proposes big rise in high-tech research By William Dawkins in Brussels

THE EUROPEAN Commission is planning to spend Ecu7.7bn (\$8.2bn) to back cross-border research in the five years to the end of 1994, nearly doubling the EC's present annual spending on technology.

The Brussels executive is due to give the ambitious scheme its formal blessing at a meeting in Strasbourg tommor-row, after which it will be

six-month Presidency of the EC. But West Germany, Britain and the Netherlands are likely to be highly scepti-cal. Indications are that the three countries want evidence of tighter Commission management, and more say in scien-tific priorities before they

agree.
The three-point plan allo-cates Ecu4.2bn to information technology, communications, industrial and materials research; Ecu2.8bn to environment, life sciences and energy and Ecu700m to helping cross border exchanges of scientists, training and backing EC labo-ratories. The cash will contribute to research projects between ventures in different member states. Within that, the plan is split

into six main programmes, supposed to be easier to manage than the existing 37-proage than the existing 37-programme research scheme, due to run out at the end of 1991.

Each of those six programmes would also need the go-ahead of a qualified majority of EC Governments, once the full plan is adopted. They cover an enormous range of projects from Esprit, in infor-mation technology: contributions to Jessi, the pan-European semiconductor scheme; to Race in broad band telecommunications and the Net investi gation into nuclear fusion.

Brussels views EC-funded research as a very valuable contribution to the technology race against the US and Japan. It is seen as one of the few ways that European companies can make up for the extra cost of sharing research across borders and so avoid wasteful duplication. Research also takes the biggest share of the EC's budget, nearly Ecu44.8bn this year, after farm and regional spending.

US adopts compromise for quotas on steel imports

By Peter Riddell and Nancy Dunne

in Washington THE Bush Administration is extending for 2½ years its restrictions on the scale of

steel imports into the US.
President George Bush yesterday finally resolved a
lengthy debate within the
Administration on steel quotas Administration on steel quotas by adopting a compromise on the length of the extension and by introducing modifications to ease imports of types of steel in short supply.

The decision was yesterday presented by Mr Bush as part of an attempt to secure an "international consensus" on the removal of unfair trading practices. He said this would row, after which it will be passed on to the 12 EC Governments for what will be a highly sensitive debate. Their unanimous go-ahead is needed.

Mr Hubert Curien, French Research and Technology Minister, wants to get the plan adopted intact under Paris' givenouth Presidency of the

practices. He said this would be mainly via the Uruguay Round of multilateral trade talks, though there would also be bilateral negotiations to secure "country specific under-

The quotas are currently due to expire on September 30, and the US will now seek to and the US will now seek to negotiate a "transitional extension" until the end of March 1992, though this falls short of the five year extension being sought by the steelindustry.

The extension will apply to all major product extensions of

all major product categories of imports from countries in the current Voluntary Restraint Agreement to a total equivalent to 18.4 per cent of the US market, though with an annual growth of 1 per cent a year. This increase will be allocated on a "first-come, first-served" basis to countries committed to removing trade

distorting practices.

The decision highlights continuing protectionist pressures within the US. Four days before last November's elec-tion Mr Bush promised to renew the Voluntary Restraint Agreement. The subsequent debate has been over the terms of renewal, with the industry and the Commerce and Labour Departments favouring a long extension and Mr Bush's main advisers supporting as rapid a phase-out as possible.

Procedures covering the import of steels officially defined as in "short supply are to be liberalised and streamlined by the Commerce Department to allow faster approval. In relation to steels not domestically produced in the US or where capacity utilisation is over 90 per cent, there is to be a fast track and the burden of proof will shift from consumers to producers.

Solidarity rejects coalition plan and opts to stay in opposition

By Christopher Bobinski in Warsaw

SOLIDARITY, Poland's reform movement, yesterday rejected an invitation by the Govern-ment to join a "grand coali-tion," opting instead to stay in opposition and form a shadow

Mr Lech Walesa, Solidarity's leader; told General Wojciech Jaruzelski, the country's Presi-dent, of the decision during a two-hour meeting. Speaking to journalists outside the parlia-ment building after the meet-ing, Mr Walesa said that "logic" required that his moveent set up the next govern-

However, Solidarity recognised that the Communists still wielded "real power" which they were not ready to surrender. "We wouldn't have surrement. We wouldn't have had any say over decisions and would merely have played a decorative role," he said.

He added that he would not stop individual Solidarity members joining the next gov-

ernment but they would do so

on an independent basis. The meeting provided Mr

Poland and the European Poland and the European Community last night agreed a wide-ranging five-year economic cooperation and trade accord, reducing some EC tariffs on Polish farm products and phasing out most EC quotas on Polish industrial goods. by the mid-1990s.

Walesa with the opportunity to curtail speculation that Soli-darity, which won overwhelming support in elections last month, was on the brink of forming a government. However, Mr Walesa did hint that he was ready to join a new

body proposed by General Jaruzelski "which would oversee the reform process" and which would be composed of "representatives of all social groups". The group would map out policy guidelines for the

Government.

Decisions on a new prime minister are expected to emerge at a Communist Party central committee meeting due

at the end of this week. Parliament is to meet next Monday when a candidate could be presented to the chamber. Mr Wladyslaw Baka, the party's economic chief, is a

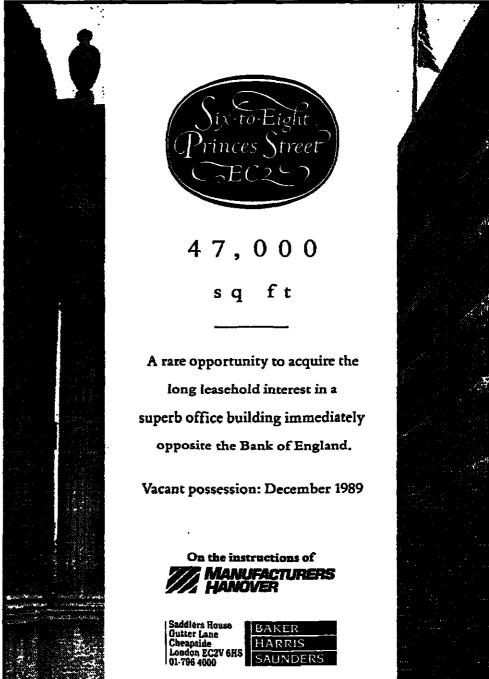
front runner for the post but he has told Communist Party deputies that he would consider forming a government only if Solidarity agreed to

Mr Walesa yesterday spoke of the need for a "small body" which would steer the country through reforms and "whose voice would be respected by all Poles." Agreement on this point with the President sug-gests that the matter has already been discussed behind the scenes between Solidarity and the party leadership.

Both sides appear keen to maintain a system which first

appeared at round-table talks in the spring, where decisions were arrived at on consensus between the authorities and the opposition and were then put into action by Parliament and the government









Federal Funds 918% Treasury Bills: yield: 8.289% (8.334) SFr1.6310 (1.645 Long Bond: 10813 Y142.55 (143.25) Long Bond: 1083; (10632) yield: 8,115% (8,125) 3-month interbank: close 1333% (1318)

STERLDIĞ New York close \$1.6388 (1.6255) andor \$1.6265 (1.6180) DM3,0800 (3.0900) FFr10.4550 (10.4700) SFr2.6625 (2.6625) Y231.75 (same) DOLLAR New York close DM1.8825 (1.89685)

FFr6.3820 (6.4280) DM1.8935 (1.9090) FFr6.4275 (6.4700) SFr1.6310 (1.6450) COLD New York

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Dow Jones Ind. Av. 2.583.08 (-1.90) S&P Comp 333.62 (-0.05) FT-SE 100 2.269,4 (+10.3). 147.19 (Mon) Tokyo Nikkei Ave 34,538.90 (+445.57) Franklort 1,903.9 (-2.7) Brent 15-day (Argus) \$17.50 (+0.09) (Aug)

West Tex Crude

\$18.825 (-0.04) (Sept)

CONTENTS Sri Lanka edges towards showdown with India



President Ranasinghe Premadasa (left) has threatened that if the Indian force does not withdraw he will order Sri Lankan troops in the north-east to take charge of the region.

Financial Futures -World Guide _____ Commercial Law _____ Commodities _____

nuclear waste. Robotics: A quest for the bright co-operative robot ... Editorial Comments Tight restraint on UK spending; Arm sales to Iran and Iraq ... **EMU:** The lure of monetary union ... World Banks Rise in green interest rates21 Lenz NatWest; STC; US tax

Rew Materials Stock Markets -London Unit Trusts

UK undercuts French in nuclear reprocessing

By David Goodhart in Bonn

BRITISH Nuclear Fuels Ltd yesterday revealed an outline agreement with the West Cerman Government to reprocess about half the nuclear fuel that would have gone to the now abandoned recycling plant at Wackersdorf in Bavaria.

The offer aggressively undercuts an earlier one made by Cogema, the French stateowned nuclear fuel group. Mr Derek May, BNFL's director of corporate development, also confirmed plans to place some of BNFL's assets into an independent fuel recycling company in which the West German utilities could take a capital stake. Cogema has made a similar offer

BNFL's provisional offer was announced as part of a joint declaration on nuclear energy agreed between the British and West German governments which includes pledges to increase co-operation in security and waste management.
The abandonment of Wackersdorf means that West Germany will be placing 500 tonnes of nuclear fuel per year on to the market for reprocess-

ing at the end of the next

take about 400 tonnes at a cost of DM1,500 (£485) per kg.

The British counter-offer commits BNFL to taking 4,000 tonnes between 2000 and 2015. which is about 250 tonnes a year at a cost of DM1,200 per cate fuel for the West Germans from the plutonium separated in the recycling process and hopes to have access to some

German recycling technology.

The BNFL offer is less than
a third of the cost per kg that had been expected at Wackersdorf, which is one reason for the abandonment of that

Some environmentalists fear that the lower cost reflects lower safety standards in Britain and France. Mr Michael Spicer, the UK Energy Minister, denied this but said that more was being spent on safety at the Sellafield plant.

One reason for the low price of the BNFL offer is that much of the capital cost of the plant has already been reclaimed from the cost-plus contracts covering most of the existing work being done for the Japa-nese, West Germans and the domestic industry.

MEP rebuff for Euro-parliament's old buffer

IN STORIES by the late lamented English novelist P G Wodehouse he is an affable and wise old buffer held in high regard at the golf club bar.

But in Strasbourg yesterday "the oldest member" (or Doyen d'age) was publicly disowned as dangerous and highly offen-sive by his colleagues in the European Parliament. Led by the 180-strong Social-

ist group, the vast majority of MEPs walked out in disgust when 87-year-old Claude Autant-Lara, elected last month on the ticket of French National Front leader Jean-Marie Le Pen, launched into the traditional opening speech of the first session of the new assembly.

It was a carefully rehearsed protest, planned largely as a reaction against Mr Autant-Lara's well documented views on immigrants and much in keeping with the European Parliament's tradition of col-ourful if sometimes absurd and self-seeking political sturts. While yesterday's exodus was obviously heartfelt and was obviously neartiest and dignified, the participants had lost none of their old knack for free publicity as the press and television cameras whirred. The Socialists each left a red rose in the slot left for their

rose in the sait act for their voting cards – a sea of colour testifying to their successes in last month's European poll – while the 30 new Greens



sported T-shirts with the slogan "2.3m. votes - 12 seats" (a reference to the huge wave of support in Britain for the Green Party but their inability

to win a single seat Some British Tory MEPs, while deploring his sentiments, initially stayed behind to sup-

port Mr Autant-Lara's freedom to speak - but most subsequently joined the protest when the former French film director began an extraordinary harangue against the threat to Europe posed by American culture and against the insidious influence of the

Spaniard Baron leaves sidelines for centre field at Strasbourg

MR ENRIQUE BARON CRESPO, a 45-year-old Spanish Socialist (pictured left with an admirer), was yesterday elected President of the European Parliament in the first round of voting, writes Tim Dickson. He polled 301 votes in the secret ballot thanks to a deal reached between the dominant Socialist and Christian Democrat groups in the assembly, easily defeating his nearest challenger the Liberal candidate and former West German diplomat Mr Rudiger von Wechmar.

A lawyer by training who was sidelined in national politics, Mr Baron saw his success yesterday as a further source of pride for his country following its six month Presidency of the European Community which ended in June.

The first Spaniard to head an EC institution, he was Transport Minister in the Madrid Government between 1982 and 1985 when he became a victim of Prime Minister Felipe Gonzalez first Cabinet reshuffle. He soon headed for Strasbourg where he was initially spokesman for the Spanish socialists, becoming a vice president in 1987.

"Polarisation is bad, either on the left or right", Mr Baron said yesterday. " we just want a majority who are working for

Like many of his generation in Spain, Mr Baron entered politics as a left-wing student in the sixties working behind the scenes against the Franco dictatorship. His past legal cases inslude defending the veteran Communist trade unionist Mr Marcellino Camacho. Mr Baron, who is a noted linguist unlike his determinedly monoglot predecessor Lord Plumb, will serve in his post for two and a half years.

English language. They were therefore not there to hear him conclude with a ringing appeal to Europe's citizens to keep the US at bay by boycotting Coca

Mischievous voices were heard to suggest that supplies

been wheeled into a Socialist group meeting to toast the success of Enrique Baron Crespo, the Spanish Socialist who was duly elected yesterday to succeed Lord Plumb as President of the new Parliament, Mr. Baron (Crespo is his mother's family name, traditionally

tacked on to the end in Spain) was said by some to be a little colourless by comparison with the British farmer he replaces but he showed a welcome flash of humour at yesterday's press conference describing himself as a " Red Baron" taking over from the "Blue Knight".

Socialist celebrations, meanwhile, were interrupted by some familiar sniping from the European Democratic Group (the much reduced British Tory contingent of 32 and their remaining 2 Danish allies). In an ironic reversal of traditional Strasbourg roles the EDG opened the new propaganda season with a press release attacking the Socialists' costly record of "saying it with flow-

Hoping to claw back some of the advantage reaped by their rivals in the chamber earlier in the day, the missive talked of the Socialist Group's "fondness for flowers" going on to con-trast the £10,583 they spent from the parliament's flower budget last year with the EDG's "modest £156". Unfortu-nately a mistake in translating Ecus into pounds led to an inflated figure for Socialist flower purchases being printed in the first version of the press release, prompting the British Labour Group's leader Mr Glyn Ford to score further points representation.

adds colour to foreign affairs

By John Wyles in Rome

WHEN Mr Gianni De Michelis, Italy's new Foreign Minister, meets his British counterpart Mr John Major, they will be able to compare notes on the sheer delight of capturing one of the main offices of state while still in their forties. But they may not find much

else in common, because in Italian politics, let alone British, there is nobody quite like Mr De Michelis. His character is like one of those prisms which throw

contrasting colours in the discotheques which he enjoys so much: calculating but impulsive, publicity-seeking but discreet, intellectual but not profound A Venetian with a large appetite for work, food and

sure, he is very much a Renaissance Italian, with strong intellectual curiosity. highly developed cultural tastes and scant trust for anyone outside his immediate

This, it must be said, is one of the most decorative in Rome - "Gianni" has an eye for beauty as well as brains. Predictably, many young ladies in mini-skirts were in attendance early last Sunday morning when he staged a celebratory night out at a seaside discotheque south of

Whether this lifestyle (see his recently published guide to Italian discos) can be combined with his new responsibilities remains to be seen. One newspaper reports Mr Bettino Craxi, the Socialist

leader, has recommended a change of image, including a shortening of the long, black locks tucked behind both ears and flowing over his collar.

Mr De Michelis (49), owes a great deal of his rapid rise to Mr Craxi. Within four years of election to Parliament in 1976, he was given the key nost of he was given the key post of Minister of State Shareholdings which put him in charge of Italy's extensive publicly-owned companies

until 1983. There he demonstrated his considerable talent for exploiting all traditional litalian practices—both good and less good—to achieve necessary reforms.

In the following four years, as I about Minister, he was at

as Labour Minister, he was at the centre of a highly controversial and eventually successful bid to reform the system of wage indexation. He puts this achievement at the top of his list of the policy

initiatives which, he insists, clearly demonstrate that the nation's political class has served the country well over the past 15 years.

On paper, he is somewhat better qualified than Mr Major for his new tasks, having exploited all of the opportunities for travel offered by his previous portfolios, including, most recently, that of Deputy Prime Minister.

His appointment is likely to viewed with some relief in Washington, where he is well known and thought "sounder" than his predecessor, Mr Giulio

But the prospect that will excite him most is next year's Italian presidency of the EC, which he will surely devote to launching stage two of the monetary integration plan set out in the Delors report.

He thinks Italy should carry more weight abroad, and under him it could well do so, in

De Michelis Strikes point up Ukraine's long-running demands

By John Lloyd

UKRAINIAN CIVIL rights activists and nationalists believe the miners' strikes in the Western Ukraine have both dramatised, and been stimulated by, long-running political demands in the republic. They believe, too, that the strikes themselves should be seen against a tradition of labour unrest and protest – hitherto violently suppressed. That tradition includes strikes in Novocherkassk in 1962, and Dnepropetrovsk and Dneprodzherzhinsk in 1972, which left hundreds dead: all of these are in the Ukraine's Donbas region. Mr Volodymyr Klebanov began a free trade

LUFTHANSA, the West

German airline, made clear yesterday it sees next week's planned start of regular sir ser-

Germany as the first move

towards wider air links eventually allowing it to fly to Berlin.

A spokesman termed as "a first step - but a big one",

announcement of agreement

for the airlines of the two Ger-

man states to fly between

Leipzig in the East and Frank-furt and Düsseldorf.

Start-up of scheduled East-

West German services for the

and was incarcerated in psy-chiatric wards for his pains. Mr Aleksei Nikitin carried on free union work into the 1980s, but was arrested and is said to have died in prison in 1984. Mr Viktor Verkhin, editor of the Donbas "Soviet Miner", revealed more than was prudent about safety conditions and local law enforcement - his arrest and death prompted Moscow to dismiss some regional and local KGB and party leaders.

These days, revelations of dangerous working conditions are no longer so deadly: glas-nost has opened today's central press to yesterday's dissidents. Socialist Industry newspaper

German citizens towards West

Germany this year - the high-

est emigration since the build-

ing of the Berlin Wall in 1961 - is, however, straining deli-cate relations between Bonn

An East German spokesman

yesterday said "propaganda" in the West German media about

higher living standards was

partly to blame for the exodus. This year, 80,000-100,000 East

and East Berlin.

last summer ran a series of articles on the life of a Soviet miner based on research in the Donhas. It reported a catalogue of short lives, grindingly hard work with poor equipment (50 per cent of coal-winning is still by hand) and bad housing.

The Coal Ministry has remained wedded to output targets and huge overtime working, while being indiffer-

Ukrainian activists draw an explicit connection between the harsh conditions in the pits and the sclerosis they see affecting the Ukrainian Communist Party . Mr Taras Kuzio, director of the Ukranian Press Agency in London, reports pop-

the Federal Republic, more than the 39,800 who crossed in

The East German official welcomed the air traffic accord

as representing a step towards "normalisation" between the

of the post-war victor powers who still exercise jurisdiction

over German air space. It represents a victory for the lobby-

The deal needed the blessing

ent to safety.

world war underlines how the two German states are growing closer together.

for West Germany, easily the highest since 1961. In the first six months of the year, 44,000

A flood of departures of East East Germans came to settle in

two states.

ular discontent with the and ceding ground with eviregion's conservative leadership, and by extension, with Moscow.
"The miners, and the

remainder of the republic's population, are well aware that it is precisely Mr Gorbachev himself who has kept Vladimir Shcherbitsky, the Ukrainian party chief, in place because of his fear that if the Ukraine followed in Estonia's footsteps then it would entail the end of the empire," he says.

Mr Shcherbitsky is the most senior survivor of the Brezh-

nev era leadership, and he appears to be an unreconstructed figure, waging war on dissidents as fiercely as he can

stern allies, the US, Britzin

and France, who had shown themselves reluctant to author-

The breakthrough comes as

a success for Mr Heinz Ruhnau, Lufthansa chairman,

a leading figure from the Social

Democratic Party who is a fierce upholder of German national interests vis-a-vis the

allies. Mr Ruhnau has said he

will not be satisfied until Luf-thansa is allowed to fly

directly to Berlin, a destination

blocked since 1945 by Ger-

dent reluctance to new ideas. Recently, however, there have been setbacks for the Ukrainian conservatives. Mr Konstantin Masik, party chief in Kiev and a Shcherbitsky protégé. Was sacked at the weekend. In the latest reshuffle, the party secretary and mayor of the Donhas town of Stakhanov were ousted.

Mr Shcherbitsky narrowly avoided humiliation in the March election; but members of the Ukrainian Helsinki Union and the Ukrainian Popular Movement for Perestroika claimed his true vote was 27 per cent, falsified to just over

The Leipzig service is due to

start next week, probably on August 3, although details,

including the important ques-

Authorisation is limited for

the moment until October 31, partly to allow Lufthansa and

Interflug to test the popularity

of the new routes. Lufthansa

hopes to continue the service beyond that date. It believes

the link will be popular, above

all for West German tourists

wishing to travel to the

southern part of East Ger-

non of ticket prices, all been settled.

Lufthansa hopes for better air links with E Germany

The two sides agreed on a new round of talks aimed at further cuts in the number of Soviet troops in Hungary "in accordance with disarmament processes in Europe and prog-ress at the Vienna talks," according to Tass.

Mr Nyers repeated his call for radical reform of the internal organisation of Comecon, including a demand for its cross-border trade to be conducted in dollars, not roubles with no sign of irritation from the Soviet side.

Tass said Mr Corbachev had

"noted the active quest in the Socialist world for ways to achieve Socialist revival, to launch socialism into a drastically higher orbit, in the name mutual understanding".

Hungarian reforms get Gorbachev nod

By Quentin Peel in Moscow

THE NEW leadership of the Hungarian Communist Party, in the form of Mr Reszo Nyers, the chairman, and Mr Karoly Grosz, the demoted general secretary, yesterday won an apparently equable if not positively warm reception for their plans for multi-party democracy from President Mikhail Gorbachev.

At what has now become a regular series of meetings between the Hungarian and Soviet party leaderships, both sides spelt out their respective progress with political and economic reforms. Not a word of criticism was allowed to percolate into the outside world.

of creating a society of free people, masters of their lives and their countries."

The Soviet leader, embroiled in miners' strikes and renewed attempts to purge the party bureaucracy of conservatives, warned that the "party must turn itseli into a political vanguard and learn to influence the masses through the force of argument," the official account said. His words are far from the traditional insistence that the party is the vanguard of perestroika.

The Hungarian leaders made no bones about their determi-nation to pursue multi-party elections, and referred to their efforts towards "invigorating

party life."

Behind the apparent consensus, lie considerable economic difficulties, most recently underlined by Moscow's deci-sion to suspend convertibility of the rouble into Hungarian forints, to prevent a currency drain apparently caused by a rash of cross-border shopping.
Hungary has a large trade surplus with the Soviet Union, and is determined to get more payment for it in hard currency which it can use elsewhere. Equally, the Soviet Union has no foreign exchange

to spare. Tass described the meeting as "warm and marked by

Germans are likely to quit East many's war defeat. first time since the second Government struggles to restrain Portugal's eager shoppers

Consumers with plenty to spend are testing the capacities of the economy's managers, writes Diana Smith in Lisbon

Sumers want and can now afford to consume cars, colour televisions, video cars, chicur teasysions, value recorders, and the like, few of which are made in Portugal — that they have warped the trade balance and helped send inflation scaring.
Buyers of cars and consumer

durables are persona not quite grata with a Government that likes to boast of superior economic skill and regards with irritation a (still-rising) 12.7 per cent year-on-year inflation rate, a trade deficit last year of \$5.6bn, a \$650m current account deficit (expected to be \$1bn this year), and a 38 per cent growth in consumer imports while capital goods imports increased by 22 per cent. Trade deficits must be "virtuous" – capital not con-sumer goods-driven – say confident Finance Ministry tech-nocrats, whose forecasts are often gainsaid by facts.

Facts show the economy performing well in many areas, but with endemic unsolved problems. These cannot be exclusively blamed on the consumer or cured by knocking him and his car. Rattled

because inflation rose at twice the 6 per cent year-on-year rate they predicted, the authorities turned on consumers in February. They made car hire purchase dearer, and took household gadgets and luxuries off hire purchase altogether. Car dealers, shopkeepers and consumers cried in pain.

But not for long. Car sales dipped 5 per cent in March and April: by June they had turned on consumers in Febru-

April; by June they had climbed to only 1 per cent below the June 1988 level when 550 new cars were put on the

road daily.

The authorities tried again.
This month they increased the prices of oil derivatives, making petrol Es130 (50p) a litre, up from Es119. The excuse was that oil prices have risen, so consumer prices must vise But consumer prices must rise, so consumer prices must rise. But analysis view it as more "get the motorist" and warn that higher fuel prices will mean higher food, transport and util-ity prices and propel inflation to 14 per cent or more this

Yet in many respects, as outlined in the Bank of Portugal's annual report, Portugal's economy is as sunny as the weather. Gross domestic prod-

SHORT TE (percentage change)
	1987	1988	1989	1990
Total domestic demand	10.2	8.5	534	434
Exports: goods and services	11.1	7.3	61 ₂	6
Imports: goods and services	26.1	17.5	101/2	812
GDP at market prices	4.7	4.1	312	34
Inflation	10.2	10.0	1014	812
Unemployment (rate %)	7.1	5.6	512	512
Trade balance (Sbn)	-3.6	-5.1	-6	-7
			Bource:	OECD

per cent a year for five years; investment grew by a dramatic 19 per cent in 1987 and 15 per cent in 1988 and should grow 10 per cent this year.

Job creation is so buoyant that there is all-but full employment, with manufacturers desperate for skilled work-ers (lingering 5 per cent unem-ployment is due largely to the skill-less) and financial compa-nies frantic for staff of which there are too few to go round. Wages, while strained by inflation at the low end of the market, blossom in the middle and upper ends where graduates or MBA's now command starting salaries of \$35,000 a

year rising to a once-inconceivable \$70,000 plus profit-sharing.

uct growth has held at about 4

A new, dynamic Portugal is emerging from shadows cast by the 1975 revolution. Competitive enterprises often race leagues ahead of an adminis-tration that has trouble foregoing heavy-handed bureaucratic control, prior authorisation, confusing laws that hamstring financial markets and, above all, central monetary control that favours the public sector. The Bank of Portugal has been ready for three years to liberalise credit control: "Any time now, market instruments will begin," the Governor said recently. "Hmm." responded bankers who had heard many

Herein lies the country's endemic problem and breeding-ground of inflation - the protected state financing need: 9 per cent of GDP this year, 1988 credit growth to the state sector of 18 per cent, while private credit stagnated below annual 11.5 per cent inflation.
Deficits, debt and its servicing are fruits of the nationalisations of 1975 and birth of a giant public sector. This Gov-ernment, like others since 1980, has vowed to pare the state but has done little, very slowly, maintaining a centripetal sphere of influence against a private sector that clamours for freer enterprise.

A spectacularly-oversub-

A spectacularly-oversub-scribed programme of 49 per cent privatisation of selected state companies began in April. It will take six years. The test for the Government next year will be to move to no-strings-attached 100 per cent sales that constitutional reforms now permit.
The relations of Mr Anibal
Cavaco Silva's Government

with business are as tense as those with consumers. Businessmen bemoan tight credit and taxes that devour over half their profits. They resent being berated by government ministers for "making tons of

ters reckon, disqualifies them from complaining. They sense anti-business bias in Mr Cavaco Silva, who is, like his outspoken Finance Minister, Mr Miguel Cadilhe, a self-made Businessmen accuse Mr

Cavaco of petty discrimination caused by "social resentment," protecting a flabby public sec-tor whose debts exceed 81 per cent of GDP in order to keep a lopsided economy under state management. Control by men obsessed by petty red tape has been a Portuguese constant this century, first from the right, then the left, and now the sext of middle. the sort of middle.

Membership of the European Community in 1986 forced changes such as the break-up of state trading monopolies, vastly-improved efficiency in banking and financial services banking and financial services, and a drive by industry to improve quality. But in government, while there is intellectual perception of the liberalising needs of EC membership there is visceral resistance to letting the reins go.

continue to do so. But it is incompletely-armed for the onslaught of the European single market after 1992. Even if it obtains renewable 12-month extensions of protection against fully freed financial services and capital flows between 1992 and 1995, it has not loosened up fast enough.

Stays of execution, in the private view of some senior officials, will only give an illusion of safety, unless they are used to unshackle the system in preparation for full EC free-dom. Better, they say, to force the system now through tough outside competition, to shed obsessive control and discrimi-

natory protection.

Pillorying consumers and businessmen because they now produce, earn and spend more, while letting the state lumber on unproductively, is a short-sighted tactic, in the view of analysts, likely to be punished in December's local government elections, just as it was in last month's European Par-liament election when the Government's standing plunged from 51 per cent of the vote in 1987 to 32 per cent.

Att Oak

The same

De Barrier

A Property

OECD issues an urgent call for Lisbon to cool the economy

By George Graham in Paris

A RINGING call to Portugal to take urgent steps to cool down its economy and combat the resurgence in inflation has been issued by the Organisation for Economic Co-operation and Development (OECD).

The organisation says the strategy pursued by the Portuguese Government since 1985 of stimulating private and public investment and of promoting rapid growth in household consumption by an accommodating economic policy seems to have reached its limits in

"It is therefore necessary to lose no the moment it is taxed.

time in taking steps to counter recent developments and, in particular, to cool the economy down," the OECD says in its annual report on

Portugal's economy.

The organisation favours a tighter fiscal policy this year. It says, however, that the new income tax system introduced this year, which is intended to be fiscally neutral, may in fact have the effect of tightening policy, because the two tax systems will overlap for a year and because the new structure will widen the tax base and shorten the time between the moment income is received and

It warns that if inflation is not checked rapidly it will erode the credibility of the incomes policy and could force the Government to impose a more stringent stabilisation policy later, as Portngal had to do in 1977 and 1983.

The recent measures taken by the Government, including a squeeze on consumer credit, are "a step in the right direction," the report says. It adds that the package also introduces measures which will facilitate the transition from direct, quantitative credit controls to a market-oriented system of monetary control. Monetary policy has in the past

been made ineffective by the its allocation, the excess liquidity in adoption of incompatible targets, it the banking system that has resulted adoption of incompatible targets, it maintains: between mid-1987 and mid-1988, for example, the domestic liquidity target was tightened while, at the same time, controlled interest rates were lowered with a view to reducing the public debt burden. The OECD says that administrative

credit controls have revealed their limits in recent years, but says that more changes are needed before Portugal can move to a market-based control system. "If market mechanisms, and thus interest rates, are to play a larger role in controlling the growth of credit and

from the prolonged co-existence of quantitative ceilings on bank lending and the government's large borrowing requirement needs first to The report also warns that the

scale of financial transfers into the country "should not mask the fundamental precariousness of the balance of payments, accentuated by the imports necessitated under the current investment programme."
Portugal: FFr50 from OECD, 2 rue Andre Pascal, 75775 Paris Cedex 16,

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SOUTH KOREA is opening up its tariff rates on 238 items, or its market to imports of tropical products from developing countries in a trade-liberalising gesture of special significance to the Uruguay Round trade talks

The elimination of import barriers to goods such as cof-fee, cocoa, tea, spices, tropical woods, fruits and nuts, rubber, woods, fruits and nuts, rubber, and jute, has been given priority in the Round because of their importance for Third World countries. About 80 per cent of the \$70bn world trade in tropical products originates in developing countries.

At the Round's mid-term review in December, the European Community, the US, Japan and other industrialised nations reached a nackage deal

nations reached a package deal with 11 developing countries, under which they undertook to reduce tariffs or remove quotas on items covering some \$20hn of the trade either with immediate effect or by the middle of

South Korea, still classified as a developing country under the General Agreement on Tar-iffs and Trade, has this week made a contribution compara-ble in value to those of some industrialised countries.

It informed the group dealing with tropical products in the Round that it was reducing existing restraints.

NYCOMED, the pharmaceutical division of Haf-

slund Nycomed, the diversified

Norwegian group, yesterday signed "a several hundred mil-tion krone" research, develop-

ment and licensing agreement with the US-based Smith, Kline and French Laboratories,

Karen Fossli reports from

The deal is to further develop and eventually market

hemoregulatory peptides, a new class of bio-chemical com-pound used to treat cancer. According to Mr Trond Jacobsen, Nycomed's director

of research, the company has

been involved in the develop-

ment of the substance for more

Norwegian group signs

cancer drug research deal

urner nod

rules on textiles

90 per cent of those listed as objects for concessions. Fur-ther cuts in customs duties

were scheduled between now

In addition, the Koreans appended a schedule for eliminating import licencing restrictions by the end of 1991.

The South Korean move responds to EG and US demands that as their contribution to trade liberalisation.

the economically more

advanced, or newly industria-lised, developing countries should start dismantling the barriers to their domestic mar-

kets, behind which they have been able to grow. However, EC officials said it would be

necessary to study health and other regulations in force in Korea before assessing the extent to which the Korean market would be opened in practice to imports of tropical products.

Seoul is also on the verge of

abandoning its right under Gatt to impose import restraints for balance-of-pay-

ment reasons. One obstacle, which may be resolved in September, is the length of the

than 10 years. Hemoregulatory peptides,

according to Mr Jacobsen,

allow cancer patients to with-stand greater dosages of chemi-

cals and radiation by eliminat-

Mr Jacobsen further explained that two of Nycomed's resarchers working

at the American National Can-

cer Institute (NCI) confirmed results of hemoregulatory

pepides during tests involving

Kline and French.

ing treatment side-effects.

By Peter Montagnon, World Trade Editor

UK call to

yesterday. In a paper to be circulated to

EC submission to Gatt on Mon-day and is seen by AKA as adding to the strength of EC arguments in that forum. Though it covers many of the same points as that submission. Mr Colin Purvis, AKA secretary-general, stressed that the UK and European industry was looking for a firm tightening of Gatt rules, possibly even more rigorous than that envis-aged by the EC.

It says the UK industry regards the present Gatt safe-guards clause which allows for emergency protection against surges of imports as "entirely inadequate to avert the danger from which the MFA shelters

to deal with excessive tariff and non-tariff barriers in tex-tile exporting countries, it said, complaining that Turkey, which receives preferential EC

made of materials bought at dumped prices, and greater use of constructed price compari-

This had been further veri-fied by researchers at Smith, Nycomed and its new part-ner aim first to introduce the substance in the US market. feiting and trade mark abuse.

tighten Gatt

WORLD trade in textiles should not be returned to the normal disciplines of the General Agreement on Tariffs and Trade until Gatt's own rules in areas such as dumping, subsidies and intellectual property have been strengthened, the British Apparel, Knitting and Textiles Alliance (AKA) said

UK government departments and the European Commission, the AKA said the Multi-Fibre. Arrangement which governs textile trade should not be unwound until the threat of disorder in world markets is removed. This will not happen by 1991, when the executions. arrangement expires.

The paper follows hard on an

the world trading system". New Gatt rules would have

access, imposes tariffs and levies as high as 124 per cent. Dumping rules should be tightened to allow provisional duties on the basis of prima facie evidence of dumping, as well as the control of products

Gatt rules on the use of sub-sidies should be tightened before the MFA can be abandoned and there should be better protection against counter

Multinationals make for Deccan Plateau

Electronics groups are setting up in India's 'Silicon Valley', David Housego writes

N Bangalore, the so-called "garden city" on the Dec-can Plateau in southern India and increasingly the cen-tre of the country's electronics industry the term "multina-tional" has long ceased to be a

dirty word.
Local officials lovingly trip off their tongues the list of international electronics groups which have set up in the town or are in the process of doing so — including Texas Instruments, Motorola, Kodak, Sanyo, Hewlett Packard, Asea and Unysis. Among the most interesting

joint ventures for what it tells about multinationals' changing perceptions of India is a new tie-up between Bull of France and PSI, one of India's best known computer companies. Bull has taken a 26 per cent stake in PSI with a view to manufacturing its DPS 7000

mainframe computer in India and gaining a 30 per cent share in the Indian mainframe market. Like many US groups, it also intends to draw on Indian software engineering skills to subcontract product development projects currently being done at greater cost at its research and development institutions in France.

Over the longer run, it envis-ages using its tie-up with PSI as a platform to export cus-tom-made systems and hardware to the Middle East and Africa. Meanwhile, says Mr Jean-Claude Danes, Bull's

regional director, "our aim with PSI is to acheive the same level of quality as Bull in both production and (systems) solutions for our Indian custom-

PSI was established by Mr Vinay Deshpande, now joint managing director, and another Indian colleague when they returned from Stanford in the US in 1973. Their first order was from an American customer for a custom-designed microprocessor based system

microprocessor based system for a telex exchange.

They took advantage of IBM's being pushed out of India in 1977 to develop and produce a general purpose computer system for the Indian market, bringing out over the years a range of PCs and minicomputers. They developed data acquisition and numerical control systems for industry. control systems for industry. They kept up their emphasis on exports with the development of a large computer-based education system for a Japanese corporate client.

PSI rapidly built up its staff to the current level of 430 of whom a third are involved in research and development. Sales grew even faster still, expanding at an average of 40 per cent a year to Rs160.5m last year. But profits did not always follow. "There were occasions", says Mr Desh-pande, "when sometimes we

did not pay salaries on the due With a management that was engineering-led, the com-pany sometimes took on work that was challenging technically rather than profitable.
Last year, it made a loss in part because of the manpower hours absorbed by the negotia-

Local officials lovingly trip off their tongues the list of international electronics groups which have set up in the area

tions with Bull but also because of a large, unfinished contract for the Department of

Bull, which has been making sales to India for 15 years, came across PSI in its search for a partner for its mainframe business. It was impressed by PSI's electronic data processing team and by the possibility of subcontracting development work to India.

For PSI, the tie-up with Bull means it is now the only Indian company with a capabil-ity across the full range of computers from PC to mainframe. It imposes on it the discipline of working to interna-tional standards both in development work and in the equipment it produces.
"The real benefit to us," says

Mr Deshpande, "is that we are now involved in leading-edge technology development both in hardware and software". He

adds that in manufacturing, "there is a lot to gain for us in terms of professionalism right from purchase specifications to quality control and customer

support".

Bull now have eight specialists in Bangalore helping PSI improve its performance in such areas as marketing, financial management and quality control. At the same time, Indian engineers from PSI have gone to France to work on progone to France to work on projects such as the development of simulator tools, the optimisation of operating systems, and the development of new Unix features which will give them a better knowledge of

Bull's methodology.
PSI is investing Rs140m-150m
in a new plant to manufacture
the DPS 7000 and other PSI
products. Bull is sending to India the engineer in charge of quality control on the DPS 7000 line at its Angers plant in France to see that products attain Bull standards. "There is a complete change in the scale of operations of PSI," says Mr Danes.

In the mainframe sector, Mr

Danes says that PSI's aim now is to become market leader in providing solutions and hardware in the areas of banking and the financial markets, production control systems in industry, and telecommunica-tions - areas where Bull has specialised internationally. In all three, India is heavily

As for Bull's sub-contracting development work to India, this is part of a worldwide trend under which data pro-cessing groups have been shifting back hardware manufacture to their base country while getting software design undertaken abroad where engi-neer skills are cheaper. In Bangalore, the prime example of this is Texas Instruments which has established a 100 per cent-owned facility to do design work for the parent

After an initial training period, Bull intends to get PSI to assume management respon-sibility for certain software products - such as qualifying new features on a communications programme or maintain-ing and updating an existing

Though Bull sees the computer market in India growing at 30-35 per cent a year, it wants to advance cautiously. We believe the key to success in India is to provide interna-tional quality solutions," says Mr Danes. He thinks it could take two to three years to build up to that level in all the sectors in which the new joint venture is interested.

In India, he adds, "you have to take into account time. Nothing significant can happen

Airbus unveils orders for 34 new long-range jets

AIRBUS Industrie said it had received firm orders for a total 34 of its planned new long-range jets, the A330 and A340, plus options for another II aircraft, Reuter reports from

The four-nation consortium, in which Messerschmidt Bölkow Blohm of West Germany, Aérospatiale of France, British Aerospace of the UK and CASA of Spain hold stakes, said in its monthly newsletter that two unannounced customers had signed contracts for 25 A340s with options on a further three. It also said two had ordered nine A330s with options on three more. It gave no further details on

nounced customers had also placed commitments for seven A330s and one A340. An Airbus spokesman defined "commitments" as including memoranda of

understanding, preliminary agreements or letters of intent. An order is a firm purchase The A330 and A340 are being developed as a single pro-

The long-range four-engined A340 is due to enter service in 1993 and the twin-engined A330 in 1994. Total commitments for the two planes now stand at 303, of which 109 are firm

Ford's Australian unit to sell sports car in US

FORD Motor's Australian unit has started to produce a new sports car to go on sale in Australia this October and in North America next year, Reuter reports from Sydney. The car will be sold in the US and Canada through Ford's

Lincoln Mercury division as the Mercury Capri.
At least 30,000 small sports
cars, valued at A\$400m, will be
exported in a full year, Ford of

Australia said. The company has invested A\$327m in the Capri programme. The front-wheel drive, two-door convertible is designed in Italy. Its engine is based on that used in Ford's Australian Lacon model. Australian Laser model.

Soviet trade with Turkey expected to rise by 28% By Jim Bodgener in Ankara

THE Soviet Union's bilateral trade with Turkey is expected to increase to \$900m this year a 28 per cent rise on 1988, according to Soviet embassy officials in Ankara yesterday. Much of this will be within the terms of a Turkish goods and services exchange agreement for Soviet natural gas. The Turkish government has proposed construction of a sec-

ond import pipeline, the Soviet embassy officials added. Next year, Turkey will lift a total 24bn cubic metres of gas through a pipeline completed in 1987 from the Bulgarian bor-der up to Ankara, the officials

imports to increase to 6bn cubic metres annually in the early 1990s.

The second pipeline would be built across Turkey's eastern border with the Soviet Union.

These developments follow a trip to Moscow this month by Mr Ekrem Pakdemirli, the Turkish Finance and Customs

During the talks, he reached agreement with the Soviet Union for a second \$150m line of credit towards the 30 per cent in cash which Ankara will have to pay for the gas.

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Cambodia peace talks break up in disarray

By George Graham in Paris

TALKS between leaders of Cambodia's rival factions broke up in total disagreement yesterday, only days before the scheduled start of an international conference aimed at settling their country's problems. The key problem remains the role of the notorious Khmer Rouge in any future interim government for Cambodia.

Prince Norodom Sibanouk, leader of the three party Cambodian resistance coalition, said he was very pessimistic about the prospects for next week's conference, but Mr Hun Sen, Prime Minister of the Vietnamese-backed government in Phnom Penh, said he still thought the conference should take place.
Mr Roland Dumas, the French Foreign Minister who has acted as intermediary in the talks, was last night seeking a compromise that would bring the rival Cambodian parties to the conference table in Paris next Monday, and French officials remained optimistic that a solution could be found.

Fighting between Cambodian guerrillas and Vietnamese backed government troops has intensified along the Thai-Cambodian border in advance of the Paris talks, with several thousand Khmer Rouge guerrillas taking part. The Khmer Rouge is the strongest of the three guerrilla factions. It controlled the country for four years under the brutal regime of Pol Pot - during which more than 1m people were killed - until the Vietnamese invasion in 1978.

In yesterday's round table talks in Paris, Prince Sihanouk's coalition proposed that the conference should open with a single Cambodian delegation grouping all four parties: his own movement, the right wing Khmer People's Liberation Front led by Mr Son Sann, the Chinese-backed Khmer Rouge nominally led by Mr Khieu Samphan, and Mr Hun Sen's government.

Mr Hun Sen, however, insisted on two separate delegations. "I will not put myself in the same basket as the Khmer Rouge," he said yesterday after the talks had broken up at the chatesu had broken up at the chateau of La Celle St Cloud, on

the outskirts of Paris. The Cambodian prime minister said he believed the conference should open as planned on Monday in order to press ahead with finding solutions to the international problems that afflict the country, even if the Cambodians had reached an

impasse over their internal

He said that all Vietnamese troops remaining in Cambodia would leave between Septem-ber 21 and September 26, but insisted that other foreign countries must in return stop military aid to the resistance movements, especially China to the Khmer Rouge. Among other points on which the two sides fell out yesterday was the question of

how to monitor the withdrawal of the Vietnamese troops from Cambodia. The Phnom Penh government opposed United Nations observers, together with a UN peacekeeping force, since the UN recognises the resistance coalition led by Prince Sihanouk.
Officials now have till Sun-

day to try to find a compromise formula that will allow the rival Cambodian groups to take part in the international conference next week which will be at foreign minister level. It will be attended by about 20 countries, including all five members of the UN Security Council, giving Mr John Major, Britain's new Foreign Secretary, his first major international outing.



EGYPTIAN President Hosni Mubarak (right). elected chairman of the Organisation of African Unity at this week's meeting, talks to Mali President Moussa Traore, his predecessor, during the first day of the summit. African leaders yesterday urged the UN to

strengthen its peacekeeping force in Namibia to halt alleged South African interference in the territory's independence elections. UN Resolution 435, adopted in 1978, called for deployment of 7,500 troops in Namibia but the UN slashed the force this year to cut costs.

Arab leader tells of Shamir's secret meetings

Israel revives controversial plan for refugees

By Hugh Carnegy in Jerusalem

SENIOR West Bank Palestinian yesterday gave the first public first-hand report of recent secret meetings between leading Palestinians from the occupied territories and Mr Yitzhak Shamir, the Israeli Prime Minister.

Mr Jamil Tarifi, a lawyer and prominent supporter of the Palestine Liberation Organisation, told journalists at his home near Ramallah that Mr Shamir had acknowledged the need for a political solution to the conflict in the West Bank and Gaza Strip and called for Palestinians to accept Israel's peace plan for the territories. The meetings have become the subject of a public relations battle between Israel and the PLO. Mr Shamir's office denied they amounted to indirect talks with the PLO and the

The PLO earlier this week named the four people it said had separately met Mr Shamir

controversial plans to rehouse 350,000 Palestinian refugees liv-

ing in camps in the Gaza strip

to Mr Benjamin Netanyahu,

Israel's Deputy Foreign Minis-

During a visit to London he

said Israel was proposing a

\$2bn rehabilitation programme spread over five years and funded by foreign donors. Britain, Mr Netanyahu suggested, could pay a tenth of

By Victor Mallet

ISRAEL

PLO asserted they were



Shamir: 'self-rule plan'

as Mr Tarifi, Mr Mansur Shawwa, a businessman for the Gaza Strip, Mr Mahmoud Abu Zuluf, an East Jerusalem newspaper editor, and Mr Ezzedin al-Arian, head of the West Bank Red Crescent organisation. It said all four had PLO

"The US has given a blanket

approval. The Europeans have listened," he said. "The camps

are pockets of misery...the

rehabilitation of refugees

Although conditions in

much of Gaza are squalid, the

Israeli proposals have been greeted with scepticism by British officials. The plans are

likely to be viewed with suspi-

cion by Palestinians who fear the loss of their refugee status

makes sense on all counts.

minister and had submitted reports to PLO HQ in Tunis. Mr Shamir's office, mean-while, refused to disclose the names of the four, saying they were not PLO members and had requested anonymity for fear of reprisals by the PLO. Mr Shawwa, Mr Abu Zuluf and Mr Al-Arian denied they were involved, despite the PLO

Mr Tarifi, however, said he had indeed met Mr Shamir at the prime minister's Jerusalem office "a few days ago" for about 45 minutes. He denied the claim that he was afraid of the fact becoming public, despite denunciations of the meeting by the radical PLO group, the Popular Front for the Liberation of Palestine. He refused to be drawn on what contacts he may subsequently have had with the

PLO, saying only that "nothing

tories without the knowledge

and the effects of greater Israeli control outside the

"The refugee problem can only be solved as part of an overall settlement," said one British diplomat. "Of itself it is

not going to provide a solu-

The rehabilitation of refu-gees in Gaza and the West Bank was one of the proposals

in the Middle East peace plan put forward by Mr Yitzhak Shamir, the Israeli Prime Min-

teeming camps.

His version of the meeting bore one striking resemblance to an account by Mr Yassir Arafat of the reports the PLO leader said he had received of Like Mr Arafat, Mr Tarifi

of the PLO."

used the term "semi-indepen-dence" to describe what Mr Shamir had offered, saying he thought Mr Shamir himself had used the term Mr Shamir had insisted that the Palestinians accept his proposals for elections followed by interim self-rule, leaving a final settlement to later negotiations. The PLO is insisting on the principles of a final settlement being laid out in advance.

Mr Tarifi said Mr Shamir told him that tough conditions attached to the Israeli plans recently by his Likud party "meant nothing" and added that the prime minister seemed intent on convincing Palestin-

ister, in May. Yesterday Mr

Netanyahu insisted that help-ing the refugees was intended

to support rather than replace the political progress.

Israeli politicians want Pal-estinian refugees in the occu-

pied territories and in neigh-

bouring Arab countries to drop

demands for a return to their ancestral homes in what is

now Israel, and the abolition or

rehabilitation of refugee camps

is regarded as one way of ach-

ieving this.

Row breaks out over HK boat people iniuries

By John Elliott in Hong

A CLASH has developed between the Hong Kong gov-ernment and staff of the United Nations High Commissioner Nations High Commissioner for Refugees over claims that a substantial number of Vietnamese boat people were beaten up and injured by police in a detention centre on Sunday night.

The fighting took place at Sek Kong comp. Which were

Sek Kong camp, which was opened on a disused airfield as an emergency detention centre last month when several hundred new boat people were arriving in Hong Kong every day. There are now around 50,000 boat people in the col-

ony.
Police denied UNHCR allegations that police officers had beaten up boat people and said that only four, all men, had requested medical treatment. Three who had head and leg injuries had been discharged. They said the injuries were accidental and had not been caused by police action. A fourth man, who had been detained in hospital, had not

yet been questioned. Mr Robert Van Leeuwen, chief of the local UNHCR mission, said a "considerable num-ber" had been injured. He felt that the scale of what had happened could be compared with an incident at another camp called Hei Ling Chau a year ago when security guards beat up 100 boat people.
Staff from the UNHCR were

reported to have said that 1 Sunday police hit women, children and old people indiscriminately.

The incident has happened

at a time when tensions are rising in the crowded camps, especially those set up hurriedly in poor conditions. The weather is hot and there are also tensions over the Hong Kong government's controver-sial plans to tell boat people who do not qualify as political refugees to return home.

The police said the violence

started when they were examining holes cut in a fence round the camp and were searching for weapons. Secu-rity guards carry out regular sweeps through all the camps looking for sharpened iron bars which are fashioned into weapons and used in clashes between different factions among the refugees.

Reuter adds: A senior UN official complained yesterday of a growing and sophisticated disinformation campaign in refugee camps in Hong Kong meant to persuade people against returning voluntarily

He spoke after chairing a two-day meeting in Bangkok to discuss progress towards settling the fate of more than 100,000 Vietnamese in camps in the region under guidelines agreed at an international conence in Geneva last month.

Rengo, Japan's largest union confederation, scored an unprecedented victory in Sundays' national elections. Contesting an election for the first time. Rengo secured seats for 11 out of 12 of its candidates. Rengo is commit-ted to the alliance of opposition parties, led by the Japan Socialist Party, which inflicted

APANESE trade unions

have returned from the

political wilderness to

play a key role in the current

years in the election for the upper house of the Diet. Rengo sees its main aim as maintaining the fragile unity between the JSP and the three other parties in the alliance - the Komei (clean government) party, the Democratic Socialist Party and the United

on the ruling Liberal Demo-cratic Party its biggest elec-toral defeat in more than 30

Socialist Democratic Party.

Its role as a bridge-builder could determine whether the opposition parties succeed in their ultimate aim of throwing the LDP out of office.

On the face of it, Japanese trade unions are unlikely bridge-builders. Japanese trade unions are based mainly on individual companies, not on trades or industries. So they tend to be passive and particularistic and sometimes uninterested in supporting national organisations. The level of unionisation has been falling steadily from a peak of 56 per cent soon after the war to about 27 per cent.

Since the war there have been constant ideological arguments among nationally-active unions which have prevented the creation of a single national trade union movement. The oldest division is between unions linked to the Japan Communist Party and the Japan Socialist Party. The rift will not be closed in the foreseeable future - for other socialists the JCP is beyond the pale.

However, the non-communist unions finally agreed to let bygones be bygones in 1987 and established Rengo. Rengo to field candidates in the lower house election, which is due to be held by next summer and

is a confederation of independent unions as well as unions linked to the JSP and the social democratic parties. It covers 7.5m workers in the private sector, and about 2.7m in the public sector.

Unions apply some glue to

Japan's fractious opposition

Rengo was formed out of rec-ognition that socialists and social democrats had more in common than they had been prepared to acknowledge in the past. Also unions realised that workers wanted more out of life than annual pay rises and good working conditions. Ren-go's aim is to secure a better quality of life - improvements in housing, education and welfare - changes which can only be secured through influencing the national government. Its charter set down that it would play a role in the "increasingly interdependent world of politics and economics."

Stefan Wagstyl on how unions helped inflict Sunday's defeat of the LDP

Rengo did not originally intend to fight national elections. Mr Yoshio Sugai, head of public relations at Rengo, says: "We are not a political party. We will not become one." However, in the summer of

last year, the rising public anger at the Recruit affair persuaded Rengo to play a more active role. It approached the opposition parties and proposed running Rengo candidates in the upper house poll who would stand in the place of separate party candidates. In this way, the opposition parties would avoid cutting each other's throats. The parties stuck to the deal everywhere except in Okayama prefecture in western Japan, where the JSP insisted on running against Rengo. They split the opposi-tion vote and the LDP scraped

in by a narrow margin. However, Rengo is unlikely

might come much sooner. This is because in the lower house multi-seat constituencies predominate. The opposition parties often hope to secure more than one seat - so it would not be in their interest to stand aside for Rengo. "This would be very difficult for them," savs Mr Sugai.

This tactical point highlights the weakness of Rengo's plan. The bridges it builds will only be as strong as the foundations on each side. The alliance is united in its aim of overthrowing the LDP. It is also united in its demand for the abolition of the consumption tax which the LDP introduced in April and which was the single biggest cause of its electoral defeat. But tensions between the part-ners are already apparent - the DSP and Komeito resent the fact that the socialists' triumph was achieved partly at their expense.

On policy, Rengo is social democratic. Its leaders see eye-to-eye on most things with the pragmetic right of the JSP, which includes Miss Takako Doi, the chairman. Like the JSP it favours increased public spending on welfare, public works, and education. Like Miss Dol, though unlike the JSP left wing, it supports the basic pro-Western, pro-US stance of Japanese foreign policy. It believes defence spending might be reduced slightly but not by much.

Like the JSP it is opposed to further rapid agricultural liberalisation - something which cost the LDP millions of farmers' votes. It agrees with the right of the JSP on the need to slow down or halt the building of new nuclear power stations, but is not in favour of dismantling existing installations.

Above all, Rengo is not an antagonistic political force. It holds talks on economic policy with the employers' federa-tions. It sees merit in some policles and some individuals in the LDP. It wants to see a proper two-party democracy in Japan. Mr Sugai says: "We need to see a balance in Japa-

'wrote to Kim Il Sung'

reviving

By Maggie Ford in Seoul

MR Kim Dae Jung, South Korea's main opposition leader, has been accused by unidentified members of the Agency for National Security Planning (formerly the Korean CIA) of writing a letter to President Kim Il Sung, of North

The accusation follows the arrest earlier this month of Mr Suh Kyung Won, a National Assembly member for Mr Kim's Party for Peace and Democracy, for making a clan-destine visit to Pynogyang in

Mr Suh was expelled from the party after the PPD reported his illegal visit to the authorities. His visit to North Korea preceded that of the Rev Moon Ik Hwan, a Protestant minister, who is on trial after being arrested on his return from the North.

Mr Kim has resisted efforts by the security police to interview him over the parliamen-tarian's visit and has strongly denied that he wrote to the North Korean Cabinet. Yesterday, his party, sup-

ported by the second main opposition group, unsuccessfully called on the government of President Roh Tae Woo to apologise for attacks by the NSP on the opposition, dismiss

National Asembly to debate The government is adopting a tough line following a Cabi-net reshuffle last week. Of six new appointees, five have links with the authoritarian regime of former President Chun Doo

its director and recall the

The government faces a further challenge to its authority later this week when a South Korean student, Miss Lim Soo Kyung, will attempt to return from North Korea through the border village of Panmunjom. Miss Lim attended the World Youth Festival held earlier this month and faces arrest on her

• A team of more than 30 businessmen, led by the founder of the Hyundai conglomorate, has left for the Soviet Union to identify investment opportunities.

Seoul opposition leader | Mauritius launches offshore bank centre

MAURITIUS launched itself MAURITIUS launched itself yesterday as Africa's first off-shore banking centre, with a package of tax and duty incen-tives aimed at attracting for-eign institutions.

Bankers regarded the terms

on offer as broadly in line with those of established offshore centres in the Gulf and elsewhere. However, they said Mauritius could become a sig-nificant haven for private deposits from South Africa, already the source of a large volume of tourist traffic to the Indian Ocean island. Banks "of established repu-

tation" are being sought to apply for an offshore banking licence, which will require a capital injection of some \$1.6m or its equivalent plus an annual \$20,000 fee.

According to the Bank of Mauritius, the island's central bank, "it will be a centre for bona fide banking business and not for brass-plate banking." At the same time, it stresses the secrecy provisions in the country's Banking Act protecting customer accounts.

Operations will be subject to a concessionary 5 per cent cor-porate tax rate, with other profits freely remittable. Bar-clays of the UK, the first to have been awarded a licence, is cautiously optimistic about prospects for growth there. Mr iain Knapman, area manager, said in London yesterday that the unit should find a role "in multi-currency business which is a significant market on the African continent."

He acknowledged it was likely also to attract attention from affluent South Africans seeking to place funds abroad in the face of Pretoria's strict exchange control legislation.

Mr Vishnu Lutchmeenarai-doo, Finance Minister, said that while less than 1 per cent of foreign investment in Mauritins came from South Africa, the country was "open to all banks and institutions which are creditworthy."

Offshore licences have also been approved for the Bom-bay-based Bank of Baroda and Banque Privée Edmond de Rothschild.

Assault on unpopular sales tax

JAPAN'S main opposition house and to initiate their parties yesterday decided to submit a bill to abolish an unpopular sales tax which was the main cause of the ruling Liberal Democratic Party's stunning defeat in elections last weekend, Reuter reports from Tokyo.
The 8 per cent tax slapped

on all consumer goods and ser-vices in April angered voters and the LDP lost its majority in the Upper House of parliament for the first time since the party was founded 34 years ago, giving the opposi-tion a chance to block LDPsponsored bills from the lower

The Japan Socialist Party, which scored the biggest gains in Sunday's election, said the bill to abolish the tax would be submitted to the Upper House in an extraordinary session to be convened in late August. "We are submitting this because all of our parties

promised this during the elec-tion," a party spokesman said. "The lower house will proba-bly vote against it, so the bill will be sent to a joint commit-tee of both houses where a compromise will be worked

The ruling party has contin-ued to defend the sales tax despite the disastrous effect on its political prospects, saying it was essential to ensure stable government revenues into the 21st century.

• Japan yesterday sought

to minimize the impact of its political troubles on interna-tional affairs with assurances that diplomatic contacts would go ahead, including the visit to Washington of Mr Taku Yamasaki, the Defence Agency chief and that of Mr Hiroshi Mitsuzuka the Foreign wints Mitsuzuka, the Foreign minis-ter to Paris this weekend, AP



Indian troops stand guard outside a Sri Lankan TV station

Sri Lanka edges towards showdown with India

Colombo has ordered all Indian troops off the island by Saturday, writes Mervyn de Silva In an attempt to compromise, Mr

ATURDAY brings a dangerous showdown between a small island nation and the world's second-most populous country. It will be the second anniversary of the Indo-Sri Lankan peace accord which resulted in an Indian peace-keeping force going to Sri Lanka to try to secure calm in the ethnically troubled island. Sri Lankan has given India notice that its 50,000-60,000 troops must be out by Saturday; India has given notice that they will stay where

The troops' job was to disarm the Tamil "Tigers", the most powerful of the Tamil separatist groups, together with the other militant groups. President Junius Jayawardene agreed that he would in turn set up a merged north-east provincial council to go a long way towards meeting Tamil ratons for regional autonomy.

Much of this has been done but not to the total satisfaction of Tamils or of Mr Rajiv Gandhi, Prime Minister of India, who has promised to guarantee the security of the minority Tamils. President Ranasinghe Premadasa, who has since replaced Mr Jayawar-

dene and who has always been

opposed to the Indo-Sri Lankan accord, has threatened that if the Indian force does not withdraw he will order Sri Lankan troops, confined to barracks in the north east under the accord, to take charge of the north-east region.

He has not explained how this can be achieved; Sri Lanka's total armed forces strength is 35,000 men and many are already tied up in massive search-and-destroy operations against the extremist Sinhalese JVP group. The JVP's most potent slogan against Mr Premadasa is that he is a "puppet of Indian hegemonists and their occupation army."

The government fears the JVP will only increase the pressure if Indian troops do not leave. In a special broadcast last night Mr Ranjan Wijeratne, the Minister of Defence, warned that disruptive and criminal elements were planning to cause bloodshed and chaos in Colombo in the next few days in an attempt to overthrow the government. He said they planned to exploit the present climate of tension over the question of Indian troops in the island.

What happens after the weekend is

anybody's guess and every Sri Lankan's deepest worry. Breaking a long silence, Mr Lalith Athulathmudali, National Security Minister in the Jayawardene cabinet and now in charge of agriculture, told Parliament: " The crisis is very serious. We must avoid a confrontation. President Premadasa may suspend

relations with India and take the issue to the United Nations. Such a move would damage India's international reputation and its regional leadership role. Already the row has forced Pakistan to postpone indefi-nitely the foreign ministers meeting of the seven nation South Asia Association for Regional Co-operation, whose future could be in jeopardy if the Indo-Sri Lankan dispute worsens. Mr Sahabzada Yaqub Khan, the

Pakistani Foreign Minister, visited Colombo last weekend to caution Mr Premadasa against "brinkmanship" that could lead to a regional crisis.

Partly because of India's punitive trade blockade of land-locked Nepal, regional sympathies have swung strongly in Sri Lanka's favour; it is

seen increasingly as another victim of the region's "big bully."

Gandhi has called for consultations on an agreed timetable for a pull-out of Indian troops. Mr Premadasa has set four preconditions:

• The Indian peace keeping force must take orders from Sri Lanka's commander-in-chief (President Prema-

• The accord is accepted as interstate and bilateral and not involving third parties (which means the Tam-

• The peace-keeping force issue and devolution are not connected. India must not allow its territory to be used for anti-Sri Lanka activi-

The last point was prompted by a broadcast on Indian state television by the leader of a pro-Indian Tamil group which said that if the Indians pulled out the north-east provincial assembly would unilaterally declare an independent Tamil state. This threat was later withdrawn under Indian pressure. "India seems to have abandoned the Bangladesh option." said Mr Lakshman Jayakody, the Sri Lankan opposition foreign affairs spokesman, adding: "That leaves

Mr Premadasa regards the first precondition as the most crucial and non-negotiable. "It is a question of sovereignty," he said. It is the one point which Mr Gandhi cannot concede, since it means a loss of face for an Indian army which has already taken quite a beating from the "Tigers", losing 1,000 men including

many officers in two years.

If the Indians left and a bloodbath, even civil war, occurred in the Tamii north it would have have an explosive effect in the important south Indian state of Tamil Nadu, where 55m Tamils live. Mr Gandhi, who faces a general election in December, is most likely to declare his own timetable for withdrawing from Sri Lanka and stick to it, allowing Mr Premadasa to do his

worst. The last thing Sri Lanka can face, however, is yet another crisis. Its economy has been virtually crushed and tourism has collapsed. Widespread violence, disruption and drought all make matters worse. Foreign reserves are down to just 10 days of imports. Businessmen complain about a central bank credit squeeze. معكنا من الاجل

By Janet Bush in New York THERE was speculation yesterday that the US Federal Reserve had initiated a further easing in monetary policy fol-lowing reports indicating a continuing US industrial slow

The Fed surprised markets by not draining reserves from the banking system through matched sales agreements as had been widely expected, a move which would have main-tained the status quo on inter-

The omission of any open market operation by the central bank was seen as the first hint that the Fed may have lowered its target for Fed Funds, the rate at which banks lend to each other overnight and a prime tool of monetary policy, towards 9 per cent from 9% per cent.

After the Fed announced that it was not operating, the Fed Funds rate slipped to 9%

per cent.

Bond analysts were cantious in interpreting yesterday's events as decisive evidence of an easing move but said they

were, at the least, suspicious.

Markets had been expecting
the Fed to loosen credit conditions again in response to decelerating economic growth but the consensus had been that the central bank would wait until it had seen July's employment figures due to be released on August 4.

Economic news yesterday included the release of June durable goods orders which rose 0.3 per cent, in line with expectations, but fell 0.7 per cent once defence orders were stripped out. Orders fell a revised 4.4 per cent in

May.

The Employment Cost Index, watched closely as an indicator of wage trends, rose by 1.1 per cent in the second quarter, the same gain as in the second quarter of 1988.

The suggestion of a further easing had little impact on markets. The Treasury's benchmark long bond was quoted a point higher at mid-session to yield 8.12 per cant while the Dow Jones Industrial Average was 6.82 higher at 2,591.80, well below earlier

Corruption charges torpedo Sarney's bid for respectability



Sarney: ranting tones or

A MELODRAMATIC exchange of corruption allegations yesterday all but sank a spirited if vain attempt by President José Sarney of Brazil to rehabili-tate the name of his widely discredited government, writes Ivo Dawnay in Rio

de Janeiro.

Hours before the President appeared on television to defend his record, the leading candidate in this year's elections was delivering a 12 kilo dossier of accusations against the regime to the Justice Ministry.

For his pains, Mr Fernando Collor de Mello received in return a smaller portfolio of malpractice charges levelled against his administration of the north-eastern state of Alagoas from Mr Oscar

photo-opportunity, not the 75-minute television interview, that dominated the

With Mr Collor standing as the candidate for clean government, his oppo-nents are clinging to the hope that scandal might reduce his formidable

scandal might reduce his formidable lead in the polls.

Currently, the 38-year-old governor has about 40 per cent of voters' preferences against 15 per cent for Mr Leonel Brizola, the veteran left-wing populist. Few if any Brazilians are likely to believe, however, that the ping-pong game of charge and counter-charge performed before the press photographers will come to anything.

A Senate committee of inquiry conducted into earlier allegations against the Sarney regime last year was quietly

shelved after hours of public hearings.
Furthermore, though the Federal
Police and other state agencies have
conducted investigations, no leading
political figure has yet been charged
with an offence.

What has damaged Brazil's first civil-ian administration in 21 years is a widely perceived climate of irresponsibility, corruption and impunity that has characterised the last four years – provoking an outcry against politicians.

In his interview Mr Sarney astutely raised issues that independent political content of the province of

scientists have singled out as being behind the country's political and eco-nomic crisis. In particular, he pointed to the ambivalence in the new consti-tution and an alleged refusal of Con-gress to play a role in government.

"The President no longer has any power whatever, given the constitu-

But for the most part, Mr Sarney's angry efforts to defend his record, delivered in a sustained ranting tone, appeared likely only to reinforce the view that he had absolved himself from any responsibility for the crisis.

On the issue that most recently provoked a storm of popular indignation -the President's vast delegation to the

tions in Paris - Mr Sarney merely side-stepped the questions. The outcome of a week of political mudslinging appears again to have been: Politicians 0, President 0; Spectators disgusted.

French Revolution bicentennial celebra-

Cool wind of divestment blows in the Caribbean

Canute James in Kingston looks at efforts to reduce state involvement in national economies

THE JAMAICAN government has just removed two "for sale" signs from 10 of its stateowned Caribbean resort hotels. Negotiations over the sale of the remaining eight hotels are being completed with prospec-tive purchasers which is good news for a government divesting parts of several state enter-prises through various leasing and joint venture agreements, and outright sales of equity. In Guyana, across the water,

the government there is offer-ing 10 companies for sale. Governments in the Caribbean are looking to the proceeds from divestments to meet growing demands for fis-cal adjustments and to reduce the involvement of the state in

national economies. In many cases the state companies have been incurring heavy losses which have to be made up by support from already stretched budgets. The governments are being prodded by the need for greater

fiscal discipline as part of agreements with international financial institutions which are demanding lower budget defi-

The continuing sell-off of the Jamaican hotels is the largest divestment programme to be undertaken in the region. The effort to sell the resorts was begun by the previous government, which was voted out in

February. Earlier efforts at divestment saw the sale of a half of the island's largest commercial bank, the only cement producer and a slice of the govern-

ment's stake in the island's elecommunications company.
Until this month, the response to the offer of the hotels had been unenthusias-tic. Government officials said the tendency in the industry was for leasing properties, rather than outright purchase. The resorts were acquired by the government in the 1970s when government guaranteed loans were converted to equity after owners threw up their

hands when there was a slump in the island's tourism. There is now, however, an apparent change in attitude, and according to Mr P.J. Patterson, Jamaica's production and planning minister, the resorts will soon all be pur-

"The negotiations are sensi-tive so at this stage we will not announce the names of the people we are talking to or any financial details," he said.
Just over 3,000 rooms are
involved, and government offi-

cials say they expect sales to be based on room prices of between \$25,000 and \$50,000 each, suggesting that the gov-ernment could earn as much as \$150m from the deals. In its pitch to encourage investors, the government has pointed to dy growth in the island's tourism, with the volume of stayover visitors growing by 75 per cent in the past eight years, and projected to grow another 30 per cent by 1992.

The effort to sell the hotels being assisted by Samuel Montagu, the merchant bank-ers, and Mr Patterson said



Caribbean resorts - testing the water for fiscal discipline

parts of the purchase of the resorts may be done under the government's debt/equity conrsion programme.

After several years of little action, Trimidad and Tobago's divestment efforts are gathering momentum.

With a deterioration in the oil-based economy, the govern-ment has been forced to reduce financial support for state enterprises which accounted for \$768m of the country's \$1.76bn foreign debt. A major breakthrough in the divestment programme came at the start of May when the Ispat Group of India leased the state-owned Iron and Steel Company of Trinidad of Trinidad and Tobago.

Ispat will operate the plant for 10 years. The steel mill has a history of financial problems, having lost just under \$500m in the past seven years. Iscott, which was constructed at a cost of \$460m, began operating in 1981, and is projecting net profits of about \$50m between this year and 1990.

The lease agreement for the mill coincided with the government's public offer of some of its assets in the Trinidad Cement Company, after converting about a half of the company's debt to the govern-ment into equity.

ment into equity.

The government expects to raise just under \$50m if the offer is fully subscribed. Mr Richard Jackman, the company's managing director, said recently that a loss of \$5.4m in 1987 was turned around to a profit of \$2m last year.

The government is also make.

The government is also making public offers to reduce its 51 per cent stake in the National Commercial Bank to 36 per cent, while also offering 49 per cent of Telco, the stateowned telecommunications

company. Officials say discussions are being held with foreign companies which they are reluctant to name. Businessmen suggest that these are British Telecom, to name. Busin Cable and Wireless and North-em Telecom of Canada.

State-owned hotels on the island of Tobago are also being offered for divestment. Where no purchasers are likely the government has not been afraid to shut down companies, as it did recently with its national fishing firm.

Prospective investors have been worried, however, over legislation which limits the local holdings of foreign com-

Mr_Ken Gordon, Trinidad and Tobago's industry minister, said recently that the government is committed to changing the legislation to improve the opportunities for foreign investors.
Guyana's efforts at divest-

ment of state companies have-just been launched. It involves ten companies in transport, agriculture, chemicals and

fishing.
According to Mr Carl Greenidge, the finance minister, the government wants to end its total ownership of the compa-

"The possibilities include total closure and simple abandonment, outright sale to the private sector, and appropriate joint venture arrangements, including partial sale and leas-ing," he explained. "The entities will not be allowed to be a drain on, or marginally con-tribute, to the treasury."

But most governments in the region are hoping that they can find buyers for the companies they are offering. "One problem these governments have is convincing prospective foreign buyers and local shareholders that the companies are viable," said a Jamaican banker who has been involved in the island's divestment pro-

"If the companies have been money-spinners then the governments would be reluctant to sell them. But where they have been making money, as is the case with the Jamaican bank, the offers are oversubscribed. It may be too much to hope that a simple change of the ownership structure will be enough to change the profit-ability of some companies."

House cuts \$2bn from Star Wars programme

By Lionel Barber in Washington

THE House of Representatives yesterday slashed by almost \$2bn President Bush's request for spending on the "Star Wars" strategic defence initia-tive in next year's budget.

The cut by the Democrat-controlled House was deeper than expected, and would leave the administration with \$2.9bn to fund the programme which President Reagan declared would ulimately be able defend the US against a ballistic mis-

However, the House spend-ing limit is still open to revi-sion when leaders meet their Senate counterparts to reconcile their respective bills for the defence budget for fiscal 1990, starting October 1 this

sile attack

President Bush conceded to Republican loyalists yesterday that he may not have fought hard enough for the SDI programme. The administration has been on the defensive recently as it has tried to per-suade a sceptical Congress to fund the B-2 radar-evading Stealth bomber. The B-2 has been plagued with technical problems, has only just made its maiden flight, and costs more than \$500m per aircraft. They focussed hard on this issue. said one Republican. "and they got creamed on

In the US Senate, the two senior members of the Armed Services committee, Democrat Senator Sam Nunn of Georgia, and Republican John Warner of Virginia, yesterday offered an amendment banning large-scale purchasing of the B-2 until prototypes meet strict flight tests. The Pentagon is still sticking to its plan to buy 132 Stealth bombers, at a cost of \$70bn spread over time.

Behind this year's debate is a growing restiveness over the amount of money the administration wants to spend on expensive weapons pro-grammes, when US-Soviet rela-tions are improving and the scope spending for domestic programmes is limited because of the budget deficit. Nevertheless, this year's defence bills in Congress still provide for spending of \$295bn.

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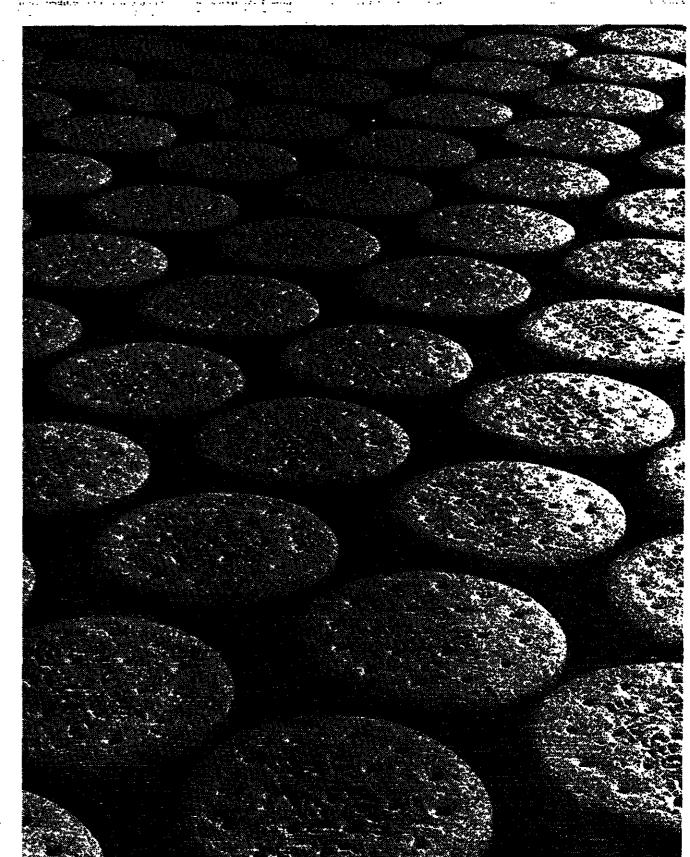
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Union to discuss suspension of railway action

By Flona Thompson, Labour Staff

by the National Union of Railwaymen could be the last. The National Union of Rail-

waymen's executive meets present series of weekly stop-

pages. The indications are that Mr Jimmy Knapp, NUR general secretary, has won enough sup-port to enable him to reverse last week's 12 to eight vote against suspension.

The executive will review today's strike and report on its meetings with members around the country. There is a possibility that growing pres-sure from the rank and file to end the dispute may lead the executive to either recommend acceptance of British Rail's 8.8 per cent pay offer or decide to put it to the ballot.

A ballot would be most unusual for the NUR but not unprecedented. Constitutionally, its executive has the power, after consultations, to accept or reject pay offers. It normally only holds ballots on

TODAY'S sixth 24-hour strike taking strike action. To consider suspending its action, the NUR's executive would look for some indication from British Rail that it would tomorrow morning and will agree to further negotiations at consider a suspension of the the conciliation service, Acas, on the question of bargaining

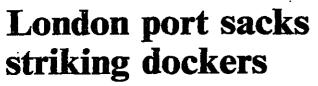
> nacturery.
>
> If the union appeared to be moving on the pay issue, BR is likely to feel it should make some concession in return.
> This could involve dropping its requirement that the union call off, as opposed to suspend, its action before both sides

could return to Acas. British Rail said yesterday it expected few trains to run today, acknowledging that key rail workers such as signalmen and guards were remaining loyal to the union.

Each strike day results in a loss of 0.4 per cent of the 8.8 per cent offer.

There will also be no trains

running on London Under-ground today due to a separate dispute by NUR and Aslef



By Michael Smith and Ian Hamilton-Fazey

THE LONDON port of Tilbury yesterday intensified attempts to break the national dock strike when it sacked striking workers and warned others they would lose their jobs without compensation unless they returned to work and agreed to sign new employment contracts.

In Liverpool, the Mersey Docks and Harbour Company also told its 1,000 dockers that they could be sacked – and lose their right to redundancy money of up to £35,000 - if they remained on strike.

The TGWU transport union said the employment contracts offered less pay, more hours and worse conditions. Mr Ron Todd, TGWU general secretary, said that Tilbury was trying to

withdraw recognition from the union. He urged dockers who had gone back to work to

rejoin the strike. Tilbury's 16 shop stewards were among those made redundant at the port yesterday. Port authorities said they were no longer needed because of a port restructuring but would be given full redundancy pay.

they must sign them by Thursday at 5 pm. Failure to do so would mean losing their enti-tlement to redundancy money. The strike, now in its third

week, was sparked off by the Government's decision to abolish the Docks Labour Scheme which regulated employment conditions in most UK ports.











included: Geoffrey Howe, Donglas Hurd, Margaret Thatcher, John Major and Kenneth Baker

Howe declined Home Secretary post in reshuffle

By Philip Stephens, Political Editor

SIR Geoffrey Howe's reluctant departure from the Foreign Office to make way for the promotion of Mr John Major, yesterday cast a shadow over Mrs Margaret Thatcher's dramatic restructuring of her Govern-

As the background to the reshuffle emerged, it became clear that Sir Geoffrey had been offered the post of Home Secretary – held by Mr Doug-las Hurd – before eventually accepting that of Leader of the House of Commons and Deputy Prime Minister.

The Prime Minister insisted that her radical package of cab-inet-level changes – followed yesterday by a flurry of promo-

tions among junior Ministers - would reinforce the Government's commitment to its pres-

ent policies.

However, the offer to Sir Geoffrey, which Downing Street had hoped would remain confidential, was seen as a slight to Mr Hurd, who had been convinced by a convence of the second of th been convinced by a conversa-tion with Mrs Thatcher only a few days earlier that his position was not under threat.

Had Sir Geoffrey accepted it,
Mr Hurd would have been
transferred to the Commons

There were also suggestions at Westminster that Mr Nigel Lawson, the Chancellor, had been offended by the Prime

Minister's decision to hand his official residence at Dorneywood over to Sir Geoffrey. Sir Geoffrey yesterday uphasised that he was con-

tent with his new role as the Government's business manager in the House of Commons and the chairman of several key ministerial committees. He was clearly subdued, he was clearly shouled, however, when he appeared at Westminster and friends said that he had been "stunned" by Mrs Thatcher's decision to move him. They suggested that sharp differences over their

approach to European integra-tion may have prompted her decision. Sir Geoffrey, who indicated

that he expects to assume the pivotal position in the Government once enjoyed by Lord Whitelaw, won the title of dep-uty prime minister and the committee chairmanships only after two meetings with the Prime Minister.

The apparent tension was also reflected yesterday in Downing Street's insistence that the title has no constitutional basis and was given as a "courtesy."

The details of the behind-

the-scenes manouevring marred the broad welcome from Conservative MPs for the cabinet changes. The promo-tions for Mr John Major, Mr Chris Patten and for Mr Ken-

neth Baker were all seen as a significant shift towards improving the presention of the Government's policies. Mr Baker, the new party integration. chairman, said that the new team would "improve the cut-

attention to public concerns over the poll tax and environ-Mr Major, who admitted that his appointment had come "like a bolt from the blue", said that Britain's future in Europe was of critical importance for the Government.
The view at Westminster,

ting edge of the Government", while Mr Chris Patten, the new Environment Secretary, indi-

cated that he would pay close

however, was that initially at least he will face pressure from Mrs Thatcher to adopt a criti-cal approach to calls from Britain's partners for greater

Mr Norman Lamont, the new Chief Secretary to the Treasury, warned, however, that the new cabinet Ministers could not expect any relax-ation of the Treasury's tough line on overall public spending in the forthcoming round of

negotiations. Mrs Thatcher said in the Commons that the reshuffle did not signal a change in the policies which had "trans-formed" Britain's performance.

GPT offers to cut engineers' work week

By Michael Smith, Labour Staff

GPT, the telecommunications joint venture owned by the UK electronics groups, GEC and Plessey, is offering a 37½-hour week to manual workers as part of a radical shake-up of work practices and conditions at one its three largest plants.

The proposal to cut the working week by 90 minutes comes as engineering unions step up their national cam-GPT, the telecommunications Dockers who have been offered new contracts were told

certain of acceptance. GPT expects the Beeston programme to be a forerunner for similar schemes in the joint

step up their national campaign to reduce hours for all members. However, other con-troversial parts of the package

including the introduction of

performance related pay for all staff – mean it is by no means

venture's other factories. Through it, the company • Replace seven existing grade structures with a single integrated system.

• Relate pay progression to an individual's performance or

• Introduce single status con-

ditions for all employees and abolish distinctions between blue and white collar staff. Erode job demarcations by increasing job flexibility, and encourage greater team work. Launch an employee divi-dend plan to enable all staff to

take a share in the company's

Mr Bill Carr, personnel direc-tor for GPT's business systems group, said he hoped that the scheme, called the Business Improvement Plan, would be approved by the 3,200-strong

workforce this summer. However, Mr Dave de Lacy, works convener, said union members were unhappy with some of the proposals, particu-larly on demarcation and per-formance-related pay.

Most unions are opposed to

performance-related pay on principle and very few UK companies have tried to introduce it for manual workers. There is also opposition to the GPT scheme from sections of white collar staff who now

work a 36%-hour week.

Ambulance union to vote on taking action over pay

BRITAIN'S 19,000 ambulance workers are to be urged by union leaders to stage their first industrial action in seven years after employers yesterday refused to increase a

rejected 6.5 per cent pay offer, writes Michael Smith. The ambulance workers will be balloted next month on whether they are prepared to ban overtime and rest-day working. A result is expected in early September with action, if approved, starting soon afterWorkers rejected the original 6.5 per cent offer, and at talks yesterday union leaders told the employers that they should either increase the offer or accept their call for arbitra-

 Some 140,000 police officers were yesterday awarded a 9.25 per cent pay rise. The increase, to take effect from September 1, covers all police officers except the Commissioner of Metropolitan Police in London.

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FIVE ARROWS INTERNATIONAL BOND FUND Société d'Investissement à Capital Variable Registered Office: 2, boulevard Royal — L-2953 Luxembourg R.C. Luxembourg B 26326

Notice is hereby given to the shareholders, that the

ANNUAL GENERAL MEETING of shareholders of Five Arrows International Bond Fund will be held at the head office of Banque Internationale à Luxembourg, Société Anonyme, 2, boulevard Royal, L-2953 Luxembourg, on August 9, 1989

at 11.00 a.m. with the following agenda: 1. Submission of the Reports of the Board of Directors and of the Statutory Auditor.

2. Approval of the Statement of Net Assets and of the Statement of Operations for the year ended as at March 31, 1989; appropriation of the

3. Discharge of the Directors and of the Statutory Auditor.

4. Receipt of and action on nomination of the Directors.

The shareholders are advised that no quorum is required for the items on the agenda of the annual general meeting and that decisions will be taken on a simple majority of the shares present or represented at the meeting. In order to attend the meeting of Five Arrows International Bond Fund, the owners of bearer shares will have to deposit their shares live clear days before the meeting at the registered office of the Company or with BANQUE INTERNATIONALE A LUXEMBOURG

DSK

Osterreichische Postsparkasse

Copies of the Report and Accounts of Osterreichische Postsparkasse for the year ended 31st December 1988 are now available and may be obtained

from Osterreichische Postsparkasse Georg-Coch-Platz 2 A-1018 Vienna

Orion Royal Bank Limited 71, Queen Victoria Street London EC4V 4DE.

SO WHERE'S THE CATCH?

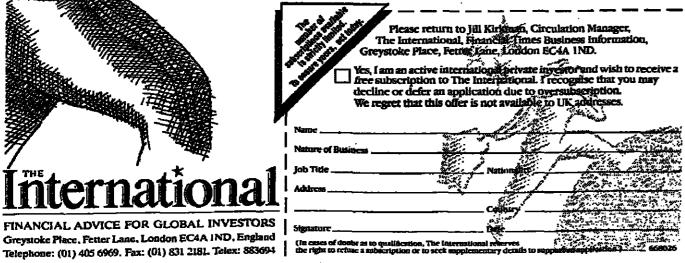
None.

Which creates just one slight problem: it can't be for everyone. In fact, we bave bad to limit distribution to just 50,000 worldwide. Not very many. But very special. Should you be one?

One key criterion is that you already have, or are planning, international private investments. You may well take investment advice (indeed, you probably do), but you almost certainly make your own decisions. You are interested in a wide range of investment vehicles, from equities to metals, bonds to real estate.

Finally, informed accurate information and comment is important to you. We deliberately haven't set fixed asset or income levels - international diversity is too great for that. We discovered that readers of The International are readers who need The International. And know they do.

> Do you? Find out today.



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NOTICE OF INTEREST RATE To the helders of Bank America Corporation

Floating Rate Suberdinated
Capital Notes Due October 1999
CUSIP 966050 BG 9
Pursuant to the provision of the Notes issued under the Indentureof Bank-America Corporation dated as of June 15, 1984 as amended by the Seenad Supplemental Indenture dated as of September 30, 1987, the rate for the period Drun July 24, 1989 up to and including October 23, 1989 is 10,1875*The amount of interest payable on October 24, 1989 is U.S. \$2,603.47 for each \$100,000 principal amount of the Notes.

July 20, 1989

THE COMMISSIONERS OF THE STATE BANK OF VICTORIA US\$ 300,000,000 Guaranteed Ploating Rate Notes des 1996 in accordance with the description of the Notes, notice is hereby given that for the interest period July 25, 1990 to January 25, 1990, the Notes will carry an interest rate of 8½% por annuz.

ine sugress payment to the reveyor 25, interest Payment Date, Jensery 25, 1990 against coupon nº 7 will be US\$44.03 per Note of US\$ 10,000 nont-ines and US\$11,100.69 per Note of US\$ 250,000 nominal. THE AGENT BANK KREDIETBANK S.A. LUXEMBOURGEOISE

LEGAL NOTICES

TO ALL HOLDERS OF PENGO FINANCE, N.V. CLASS A AND CLASS B NON-INTEREST BEAEING CONVERT-BLE SENIOR SUBORDINATED GUARANTEED DEBENTURES 1991 AND PENGO FINANCE, N.V., 84 PER-CENT CONVERTIBLE SUBORDINATED GUARANTEED DEBENTURES 1995 (COLLECTIVELY THE

PENGO INDUSTRIES, INC.,

NOTICE OF ORDER APPROVING DISCLOSURE
STATEMENT AND OF TIME FOR ACCEPTING OR
REJECTING PENGO INDUSTRIES, INC. PLAN OF RECEGANIZATION
The Bankruptcy Court for the Northern District of Texas, Fort Worth Division, has embred an Order on July 20, 1989, approving a Disclosure Statement under Chapter I i of the Bankruptcy Code that was fined by Pengo Industries, Inc. (Pray) on May 26, 1989, as modified, relating to the Pengo Pian of Reorganization (Pray) of even date, as modified. The Plan along with the Disclosure Statement, is precautify being transmitted to all interest holders for voltage Debautures.

to accept or reject the P48n. This notice is to serve as information pertaining to the Plan voting process for holders of the Debentures.

1. DESCRIPTION OF THE PLAN:

The Plan provides that holders of Debentures will be treated as creditors in Class 5, which class includes the majority of unsecared creditors. Debenture Holders are included in Class 5 and the basis of Pengo's gutrantee of the Debentures of unsecared creditors. Debenture Holders are included in Class 5 will receive a prorate share of a total of \$1,000,000 in cash and 201,504 shares of New Common Stock to be issued by the reorganized from Subordination provisions of the respective indentures covering the Debentures will not be recognized in distributions under the Plans if the Plans is confirmed by the Bandrupts; Court, all rights of the Debentures bolders insofts as the Pengo guarantee of the Debentures is concerned will be determined by the provisions of the Plan, whether a vote is cast in favor of, or the indenture treaters for the respective issues on or before one (1) year from the Effective Data, as defined in the Plan, 2. OBIAINING A BALLOT AND VOTING:

In order to obtain a copy of the Plan, Disclosure Statement and Ballot, a holder of a Debenture must contact:

Alon First, City Center, 1700 Pacific Ave.

In order to obtain a copy of the Pinn, Disclosure Statement and Ballot, a bolder of a Debenture must contact:

Alin, Gemp, Straus, Hauer and Feld,
Connact for Person Industries, Inc.
4100 First City Center, 1700 Pacific Ave,
Dallas, TX 75201
Attention: David F. Staber
(214) 969-2000

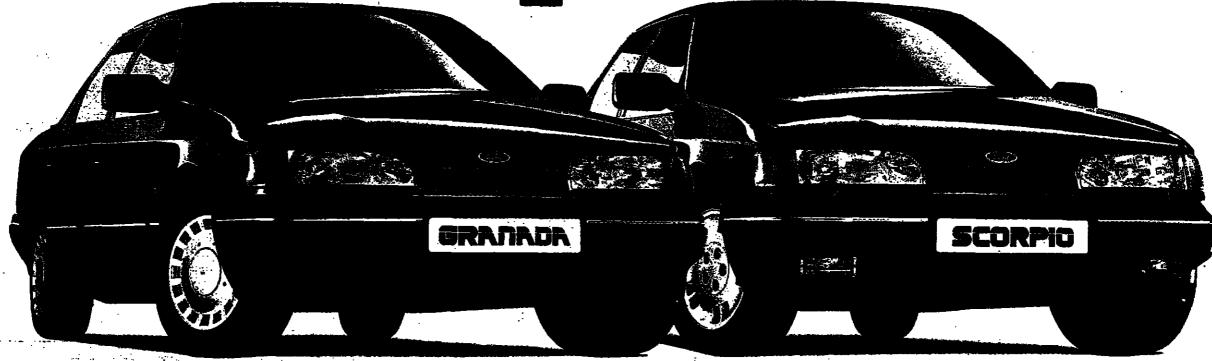
Salious must be neturned so that counsed for Person receives them so later than 200 p.m., Dallas time, on August 29,
2652-2611VE BALLOT IN ORDER FOR THE BALLOT TO BE VALID.

Debenium bolders wishing to object to the conform benture holders wishing to object to the confirmation of the Plan may do so by filing a written object time. August 23, 1983 with the Clerk of the Bankruptcy Court, 501 U.S. Courthouse, 10th and DEMATION.

Los Angeles, CA 90017 (213) 624-2400

The Ford Drive for Value.

New models. New engines. New equipment. Old prices.



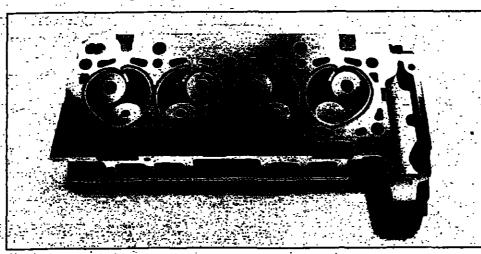
The new Granada LX.

Ford have just completed a programme of improvements to the whole range of Granadas and Scorpios. And, because we're in the middle of our current Drive for Value, none of the improvements will cost you any extra on carryover models.

The first piece of news is our two new models; a new Granada LX and a new 20 litre Scorpio.

The LX comes with a choice of engines; the new 20 litre DOHC or DOHC injection, of which more later, or a 25 litre turbo diesel. And the new 2.0 litre Scorpio has the fuel-injected version of the new DOHC engine. A luxury car without a luxury tax bill.

The new 2.0 litre DOHC engines. Here's why they have such healthy performance.



As you can see, the cylinder head of our new Double Overhead Camshaft engine has a unique design feature: heart shaped combustion chambers. Put simply, these create a swirl effect inside the cylinders which helps the incoming fuel, unleaded of course, burn faster and more cleanly. So you get more power and smoother acceleration with less waste and reduced exhaust emissions.

The new Scorpio 2.01 DOHC.

In other words, healthier performance.

The new DOHC engines are now available across the Scorpio and Granada range, with or without electronic fuel-injection depending on which model you choose. Racing engines apart, they are the most powerful non-turbocharged 20 litre engines we've made, so they're ideal for these big cars. And the good news is that, besides avoiding big car taxes, there's no increase in the maximum retail prices of cars fitted with the new engine, compared to previous models before 6th June '89.

Extra equipment across the range.

As most people know, all Granadas and Scorpios have always had anti-lock brakes, so they've always looked after you.

Well-now they also have anti-theft alarms as standard, so they can look after themselves.

But that's just one part of our improvement programme. Every model gets new equipment: things like high-tech RDS sound systems in Scorpios, graphic equalisers in Ghia X's, Rapid De-ice windscreens in Ghias and rear head restraints in GL's. All for no extra money.

Big price reductions on earlier models.

Since the improved Granadas and Scorpios cost no extra, it seems only fair to reduce the maximum retail prices of earlier models built before 8th May 1989. They're big reductions too. From £550 on a 2.9 Ghia X automatic to £1400 on a Granada 2.0 L.

So, do you buy one of the new models with all the extra equipment for no extra money? Or one of the earlier cars for less money? If you need any help with your decision, call the Ford Information Service free on 0800 01 01 12.

Or, better still, see your Ford dealer.

Granada

Scorpio.



300 包括 (報告)

Ralph Atkins finds higher wage settlements run the risk of bringing inflation to the boil

HE HEAT is on in the UK labour market. The long, hot summer has brought a succession of higher and higher wage settle-ments just as the economy showed signs of slowing. Some in the City have spotted thunder clouds on the horizon, inflationary "wage spirals" that could undermine the economic strategy of Mr Nigel Lawson, the Chancellor, and force interest rates still higher.

"It is the thing we are most concerned about," says Mr Joe Roseman, UK economist at UBS Phillips & Drew, the securities house. "It is engraining inflation into the economy at a rate much faster than the Chancellor has assumed."
Wage rises could give price
rises a fresh spur. In the past year inflation has been largely "demand-led," with companies

taking advantage of strong

spending to put up prices. But it could become driven instead

by "cost push" pressures from the labour market. Already there are signs of an irritable rash. In the first three months of 1989 wages and sala-ries for each unit of output in the economy were increasing at twice the rate of two years before. That will put pressure on profit margins and could

feed through into higher

for several years pay is back as a major indus-

The current wave of pay

related disputes involves a

wider range of occupational

groups than any period of industrial unrest since 1979.

The number of working days lost through disputes this year

is likely to be at least double

the 3.7m last year. What is feeding this pressure

for higher pay; how long will it last; and what will the effects

Union and company negotia-

tors agree that the recent rises in inflation and interest rates

have been the major factors

destabilising pay bargaining.
In the past five years most of
those in full-time employment
have grown used to earnings

running about 2.5 per cent

ahead of inflation.

The rise in inflation and

mortgage repayment costs has

not only threatened to eat into

that, it has introduced an ele-

ment of unpredictability about the cost of living. Workers

want to insure against possible increases in the year ahead. This concern has meant that

unions' traditional role in pay

bargaining has been reas-serted. One senior personnel

manager reflecting on recent

events said: "There is a grow-

travellers are expected from today if French air traffic engi-

neers go ahead with the indus-

trial action that they have threatened to take until next

The engineers' action two weeks ago caused the greatest

disruption and longest delays this year to flights passing

through French air space. The Civil Aviation Authority

in London was notified of the

threat of further industrial

action yesterday and warned

that some delays could be sub-

stantial. Talks between the engineers and the French air traffic control authorities con-

tinued yesterday.

The prospect of further delays came as the CAA published its first league table of

One of the worst offenders was British Island Airways,

with an average delay of three

flights between Gatwick and

Malaga in April this year. On BIA flights to Faro, Portugal,

the average delay was four

hours 16 minutes. BIA flights

delays by airlines.

be on employers?

Underlying % change over previous 12 months Growth in profits

85 87 89 1981 83 prices. Pay rises for top executives are also fuelling discontent by setting an unfortunate example, and they could also

increase costs.

FTER lying dormant union officials and some man-

The long-run impact depends on the timing. Current wage settlements reflect largely last year's output and profits per-formance. Their impact on future inflation will depend not only on the general level of agreements, but also on how they synchronise with output and profits in coming months. It is possible to foresee both benign and gloomy scenarios. Under the benign scenario wage rises will be accommo-dated, with little impact on

agers that industrial muscle is

However unions' ability to

translate higher inflation into higher pay is only part of the

Earnings were rising strongly well before inflation

started to drift upwards. The

annual increase in average earnings rose from 7.75 per

cent in September 1987, to 8.5

per cent in December that year. Inflation only started to rise from the beginning of 1988.

unions. According to the 1988

annual report of the concilia-tion service Acas: "It is hard to

conclude that the threat of

sanctions by trade unions was at all significant in fuelling the

continuing steep increase in

The main underlying pressure has been a combination of

a tightening labour market, ris-

ing productivity, increasing output and healthier profits in

The tightening of the labour

market has put unions in a

pay bargaining. One index of

this is the dramatic decline in

the threat of unemployment.

The number of redundancies declined from 238,000 in 1986 to

107,930 in 1988. In May this

year there were 3,836 redundancies compared with 8,744 in

Mr Jerry Noble, the group

development director of British Island Airways, described the result as "almost luck of the

"The vast majority of our delays are caused by air traffic

control. We ask for a slot and

are told to wait until we are

given one, just like every other airline," he said. The overall average delay for 12 airlines leaving Gatwick for

Malaga in April, was one hour

34 minutes; to Faro (8 airlines)

82 minutes: and to Zurich (10

The CAA survey compared the actual times against planned flight times of 54,000

flights by both British and for-

eign airlines at Heathrow, Gatwick, Manchester, Birming-

The report shows that in

April this year (the only month

surveyed) at the first four air-ports, 64 per cent of flights

were "on time" (defined as

early to 15 minutes late), com-

pared to 71 per cent "on time" last year.

ham, Luton and Stansted.

airlines) 26 minutes.

much more secure position in

the private sector.

two hours 23 minute

More air delays if French

FURTHER delays for air to Zurich had average delays of

engineers resume action

Nor was this pressure due to

starting to pay off again."

prices, by the improved efficiency of companies. There are indeed encouraging signs. Growth in output per head, or productivity, remains relatively strong, at least in manufacturing.

And there is a strong case,

given strong profits growth last year, for arguing that high settlements are a justified

reward to employees.

Proponents of the "don't panic" school point out that the actual acceleration in wage settlements has been relatively small - with the growth rate picking up by perhaps one or two percentage points in the past year. Average earnings, which also include bonuses and overtime payments, are currently growing by 9.25 per cent a year, up from 8.5 per cent this time last year.

Higher wage settlements may also be a sign of a healthy economy. Pay levels are a mechanism for matching demand for labour with supply. When unemployment is falling steeply — albeit from very high levels — wage rises are inestible. inevitable.

However, the benign sce-nario depends crucially on the acceleration in wage rises not being prolonged.

Mr Richard Jeffrey, economist at Hoare Govett, said: "If

Wage issue awakes to haunt industrialists

the same month last year. The labour market has

become more competitive at both ends. Thus Tesco and Sainsbury's have increased

youth pay scales by more than 20 per cent to help them attract young people in the face of the decline in the number of

school-leavers. Mounting skill

shortages have led to similar pressure for higher pay rises for computer staff.

early 1980s cut manning levels, introduced new technology and

reformed working practices are

now having to pay for the improved productivity and

many companies to introduce more effective employee com-munications programmes may

also have played its part in

fuelling pay pressure. One manufacturing company per-sonnel manager said: We now

tell workers much more about

how the company is perform-ing, so naturally they are

much more sensitive to

improvements in profits."

The collective bargaining

system has lost none of its

effectiveness in spreading this

pay pressure. The key settle-ment this year was the 9.2 award in May to 76,000 electric-

ity manual workers. Skilled

electricity jobs can be com-pared to engineers jobs at Brit-

VOLVO Concessionaires, the

UK importer and distributor of

Volvo cars, is to offer catalytic

converters as an option on all

models from the beginning of

The Volvo initiative yester-day took the UK motor indus-

try by surprise and is likely to

cause consternation among rival car makers, who have all previously indicated that cata-

lyst-equipped cars would be

Only a handful of cars with

catalytic converter options — which drastically reduce harm-ful exhaust emissions — are

currently being offered in the

UK, and car makers are

demanding a premium of sev-

Manufacturers are being

forced to adjust rapidly to the

new environmental awareness

in Europe, however. Most are planning to launch catalysts as

options in the UK on the

majority of their models over the next 12 months and the

Volvo move could force other

groups to reduce prices.

Car makers have accepted that the tide in Europe has moved decisively in favour of

much tougher exhaust emis-

sion controls - equivalent to those in force in the US, Japan

and in some European countries outside the European

Community, such as Sweden, Switzerland and Austria. They

are reacting quickly so as not to be left behind in the "green" marketing battle that is devel-

oping in Europe.

next year at no extra cost.

By Kevin Done, Motor Industry Correspondent

The concerted move by

profitability.

Companies which in the

Charles Leadbeater traces the factors which roused demands for better pay deals

we had an 'order of worry scale' from one to 10, wage pressures would be about eighth. I will be looking much harder at wage settlements at the end of the year when we will have seen a reduction in demand. If we don't see any reduction, then we are going to

The snag is that historically UK wages are, in economists language, "downwardly rigid." In other words they rise much quicker than they fall.

High inflation is a greater incentive for higher pay demands than low inflation is for moderation. The current pay round comes at a time when inflation is at, or near, its peak. This leads on to the gloomy scenario.

According to this school the threat posed by higher wages is that the momentum behind current settlements becomes unstoppable. Even if settle-ments are justifiable, the timing becomes disruptive. As high interest rates slow the economy after several years of rapid growth, inflation could be given an end-of-cycle spin. In turn this could feed still

higher pay demands.
Higher wages also feed through into higher consumer spending, upsetting the damp-

Underlying % change over

Chief Executives

eamings

83 85 87 Source: Monles Partnership

ish Telecom where talks over

an 8.3 per cent offer continued

yesterday. The electricity set-

tlement meant it was impossi-ble for Imperial Chemical

Industries in the private sector

to settle at less than 9.2 per cent without courting indus-

remains within the public sec-

tor it has also had a consider-

able impact on the climate for

negotiations at British Rail. According to Professor David

Metcalf, head of the industrial

relations department at the

London School of Economics, the demise of the 1970s pay

round has also helped to pro-

mote pay pressure.

"At least in the 1970s there

Volvo to offer catalytic exhaust

converters free from next year

Mr Philip Payze, chief execu-

tive of Volvo Concessionaires,

a wholly-owned subsidiary of

Lex Service, said yesterday

that the costs of using catalytic

converters had been "much exaggerated."

From the beginning of Janu-

ary there will be no price dif-

ferential between catalyst and non-catalyst Volvo models sold in the UK, irrespective of the

type of catalyst system.

There would be no general price increase to take account

of the no-cost catalyst options,

said the company. The cost of the initiative would be shared

between Volvo Concessionaires

and Volvo of Sweden, said Mr Charles Hunter-Pease, sales

UK importer.
Mr Payze said that the price

of Volvo cars would probably

rise by up to 3 per cent in September, an increase which

he expected to be in line with

general rises to be announced by other manufacturers.

lyst versions of some of its 440

models, with an extra charge

of between £175 and £260. This premium would be removed for

next year's model cars, said Mr

Hunter-Pease, and customers

who have paid this extra

charge this year would be

a rapid change of strategy by

rival car makers in the UK

market, who currently charge premiums of between \$200 and

Volvo's initiative could force

Volvo currently offers cata-

and marketing director of the

Yet because electricity

trial action.

Treasury is trying to engineer. The result could be another new stock' rise in interest rates to cut spending power and underline

the Government's determina-

So far, evidence suggesting

that a gloomy scenario is inevi-table is far from conclusive. There are many who believe it can be avoided.

Mr Nigel Richardson, economist at Warburg Securities, said: "One of the key things is

going to be what happens to the wage round in the autumn. That is probably the biggest hurdle the UK economy has to

The Treasury appears confi-

dent. It says current pay settle-ments are not a threat to its counter-inflation strategy —

but could affect employment

prospects.

The official line is that the

Treasury opposes unjustified

nay increases, whether for the highest or lowest paid groups of workers, and says it would

prefer the current rate of set-tlements to be lower. However,

it emphasises that wage levels

are matters for the parties con-

That leaves responsibility for

ensuring that the heat in the labour market does not fuel

inflation squarely with the

was an end to the round over

the summer when things cooled off. But now we are

moving into all year bargain

ing. The disputes in the early spring will have an effect on

pay bargaining in the

growth at many manufacturing

companies such as Vauxhall

and Ford is expected to remain

strong because of changes to working practices, it is likely to become increasingly diffi-

cult for employers, particularly in the public sector, to insist

on productivity strings to pay

Pressure for higher pay will not abate soon. Ford and Vaux-hall settlements of close to 10

per cent could combine with

yesterday's 9.25 per cent award to 140,000 police officers and a

possible settlement of between

8.5 and 9 per cent at BT, the country's largest private sector

employer, to average earnings

to 10 per cent by the end of the

A personnel manager with a

company which has already

settled pay at more than 9 per cent said: "Inflation coming

down will be a great help. But

the crucial thing will be the

end of the boom in the econ-omy, either a fall in output or

just increasingly difficult trad-

ing conditions, people will start to feel that."

Volkswagen/Audi, one of the

companies which has taken a

lead in offering models with

catalyst options, currently charges a premium of £204 for

a simple, so-called unregulated catalyst unit on some Golf and

The more sophisticated catalyst-equipped Audi 100 is 2500 more expensive than the non-catalyst version, albeit with a

slightly more powerful engine. Rover charges the highest premium, demanding an extra

£850 for its catalyst-equipped

Rover 827 models.

The market for catalyst-

equipped cars, which have to run on unleaded petrol, is still in its infancy in the UK. Such

models accounted for only

some 0.2 per cent of UK new car sales in May, according to

the Society of Motor Manufac-

turers and Traders.

The picture will change rapidly during the next three-and-

a-haif years, however, and according to recently agreed European Community exhaust emission regulations all new cars sold in the EC will have to

be equipped with three-way

catalytic converters from the

beginning of 1993. Some European markets are

already much more advanced, however. In West Germany,

the single biggest car market

in Europe, sophisticated three-way catalysi-equipped cars

already accounted for 41.8 per

Jetta models.

Although productivity

tion to beat inflation.

By Kevin Brown,

BRITISH Rail is being

sultative Committee, set up to represent passengers after nationalisation of the railways in 1948, said it was becoming

"The key to conquering the problem of overcrowding lies in the provision of sufficient additional capacity," the committee says in its annual

that BR continues to come forward with investment propos-als for new rolling stock and related schemes where overcrowding exists, and that Government gives speedy author-isation to such projects."

"feels unable" to make a sound financial case for addi-

In another case, the number of new vehicles approved by

ernment's sole criterion in evaluating investment proposals is whether the project will achieve the 8 per cent rate of return on capital required of all nationalised industry

tence that BR has to justify tence that BR has to justify the cost of every scheme in purely financial terms, often by an assessment of potential savings resulting from the scrapping of old assets, is deterring BR from seeking new investment in rolling stock, even where this is known to be necessary to tackle overcrowding," the

relax the rules to allow investment to go ahead where it was needed to improve the quality of services.

loss-making passenger services - which had now reached an "irreducible mini-

£470m by 1992.

is a clear link between the decline of the subsidy and problems on routes such as those in East Anglia and South Wales, where BR wants to

Wider powers for banking ombudsman

By David Barchard

MOVES TO strengthen the Banking Ombudsman Scheme, which covers 20 banks in the UK and includes all the main high street banks, were announced yesterday.

Among the changes is the creation of a deputy banking ombudsman. Mrs Sarah Wil

liams, a solicitor who has worked in the Banking Ombudsman Office since 1986, has been appointed to the post. The changes bring the scheme into line with recom-

bank-customer relations. The ombudsman's terms of reference will be widened to

include powers to order compensation for maladministration and unfair treatment. A wider range of banking

invited to join the scheme, of which Abbey National has just become a member.

Government 'prevents **BR** buying

Transport Correspondent

prevented from buying new and much-needed rolling stock by the Government's strict rules on investment, the statutory railway watchdog organisation claimed yesterday. The Central Transport Con-

increasingly concerned about the "misery of overcrowding" on some BR lines.

"It is therefore essential

The committee says BR

tional vehicles on one group of routes operated by its Provincial sector, even though pas-sengers are suffering severe

ministers for an expansion scheme on the Network South-East sector was less than the number requested by BR.
The committee says the Gov-

"The Government's insis-

committee says.

Mr Mike Patterson, secretary of the CTCC, said BR was finding it impossible to meet agreed targets for service quality and reducing overcrowding because of the constraints on investment caused by the Gov-

He urged the Government to

Mr Lennox Napier, chairman, said the committee deeply regretted the decline of the Public Service Operating grant — intended to cover

The grant has fallen by 51 per cent in real terms over the last five years, and is forecast to fall from £590m this year to

The committee claims there

withdraw evening services.

CTCC annual report; Golden
Cross House, Duncannon St.,
London WC2N 4JF.

mendations made in the Jack Committee report in March on

organisations will also be

cent of new car sales in the first four months of the Research study planned

By David Fishlock, Science Editor

proposal to merge Britain's single national research council administering about £800m of government research funds is to be submitted to government in October by the Advisory Board for the Research

Thatcher insists 'right policies' will continue

By Ivor Owen, Partiamentary Correspondent

GOVERNMENT APPROACH

CHANGES IN policy will not follow in the wake of the reallocation of cabinet posts affecting nine Whitehall departments, Mrs Margaret Thatcher, the Prime Minister, assured the Commons yester-

When Mr Neil Kinnock,the Labour leader, sought to exploit the difficulties she encountered when removing Sir Geoffrey Howe from the post of Foreign Secretary, the Prime Minister insisted the "right policies" which had transformed the country would

Mr Kinnock contended that by arguing that no policy changes were needed Mrs Thatcher was disagreeing at a very early stage with Sir Geoff-rey in his new role as Lord President of the Council and leader of the Commons.

The Labour leader claimed that Sir Geoffrey had stated his switch from the Foreign Office reflected the fact that the Government was facing a "new round of problems on the home front.

Mrs Thatcher retorted that the reconstructed Cabinet would deal with the problems it faced as effectively as its pre-decessors had done in the past. Sir Geoffrey, who was approached by a number of senior Conservative backbenchers when he took his seat on the government front bench well in advance of Prime Min-ister's question time, listened impassively to the exchanges. They began with Mr Martin Flannery (Lab Sheffield Hillsborough) accusing the Prime

Minister of having "guillotined half the Cabinet and frightened the other half to death." He asked if this could be interpreted as an admission that all the Government's fundamental policies had been wrong, and that "the lady" was now for turning.

Mrs Thatcher commented that Mr Flannery, a former headmaster, could not count, and had ignored the fact that the Labour Party was con-stantly changing its policies which had been, and remained,

She explained that ministerial changes were made from time to time while the Government pursued the same poli-cies which had brought success

to the British people. Dr David Owen, the leader of the Social Democratic Party, pressed for an undertaking that the Prime Minister would not interfere when Mr John Major, the new Foreign Secretary, wished to make a state-ment to the House.

The Prime Minister replied that she had great confidence in the new Foreign Secretary,

POLL TAX

Patten promises to do all he can to ease transition

By Tom Lynch

MR CHRIS PATTEN, in his den under the old system but Commons debut as Environment Secretary yesterday, took a conciliatory tone towards the Conservative backbenchers who last week savaged Mr Nicholas Ridley, his predeces-sor, over the phasing in of the community charge, or poll tax. Mr Patten, the first of the

Cabinet newcomers to address the House, was given a lively but good-humoured reception by Labour MPs, who made clear that they regarded him as an unlikely champion of the tax, which will replace domestic rates in England and Wales from next April.
Dr John Cunningham, the

shadow Environment Secretary, opening an Opposition day debate on the poll tax, recalled Mr Patten's links with elements in the Tory Party which had been critical of the poll tax.

Mr Patten replied with a strong defence of the tax's merits compared with domestic rates and drew derisive Labour laughter when he declared; "The community charge puts the community in charge." The minister acknowledged

Tory concern over the proposed safety net arrangements, under which some areas -principally in the wealthier parts of the country - will subsidise poll tax levels in poorer areas for the first four years of the new system.

He promised he would do everything possible to ease the transition but said he could not move to the new system overnight.

Some areas wanted an immediate end to the penalties implicit in the old rates system. Others needed time to adjust to the withdrawal of the

subsidy, which had been hid-

was open under the new

Mr Patten told Tory backbenchers he would "look very carefolly" at the points they made when Mr Ridley announced the safety net figures. However, he was "not sure the circle can be

squared."
Welcoming the new minister.
Dr Cunningham said he must have some "private misgiv-ings" at having "inherited

something of a shambles." Last week's uproar against Mr Ridley had proved there was "fear spreading through the Tory Party" about the implications of the poll tax.

In Scotland, where it was introduced this year, the Tories had suffered electoral disaster, and he predicted the same would happen in England and Wales.

"In the main, Tory MPs voted for what they are getting and their panic is quite astonishing. Many apparently did not know what they were voting for."

He predicted more problems for the Government when businesses, particularly in the south, realised the impact of the uniform business rate. Tory MPs would come under severe pressure from business men involved in local Tory associations

Tories challenged Dr Cunningham over remarks last week by Mr Neil Kinnock, the Labour leader, that his party's alternative of capital value taxation combined with local income tax needed "sophisti-cating."

Mr Patten asked when the policy would be "sophisticated enough to share with the rest of us."

ELECTRICITY BILL

Calls for delay rejected despite Magnox move

THE Government yesterday rejected opposition calls for the final stages of the Electricity Bill to be delayed until the autumn to allow full consideration of the consequences of Monday's decision on Magnox nuclear reactors.

The reactors are to be with-drawn from the privatisation programme because of the

last-minute discovery that decommissioning costs had been under-estimated.

Lord Williams of Elvel, Labour's energy spokesman in the Lords, warned that the contract system and the licensing and grid operation arrange-ments would have to be revised because keeping the Magnox stations in public ownership would mean electricity being supplied to the grid at

marginal cost. Problems of safety were also complicated because at sites such as Hinkley there would be three separate managements -National Power, the Magnox company and the grid com-

He also said City opinion was that withdrawing the Magnox stations from the sell-off

the industry when it is sold off. Its expected value remained about £13bn. However, Lord Sanderson of Bowden, for the Government, said the bill had to have royal

would not affect the value of

assent by this Thursday if the privatisation were to be com-pleted before the next general election. The withdrawal of the Magnox stations required no changes to the legislation, he

said it would also increase the value of National Power "significantly." Lord Halsbury (Ind) supported postponing the bill, saying the Government had made a "pig's breakfast" of the legislation.

Lord Stoddart of Swindon (Lab) said a delay was necessary to enable further examination of CEGB accounts to see if the de-commissioning costs of advanced gas-cooled

reactors, which will be passed on to National Power, had been similarly underestimated. The Labour amendment to delay the bill was defeated by 38 votes (148-110).

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0800-581364 AEA TECHNOLOGY

chairman of ABRC, said the A DETAILED study of the board was generally sympa-thetic to the merger proposal five research councils into a

Councils.

Professor Sir David Phillips,

reorganisation into six semiautonomous science divisions under a single "holding board."

put forward in the Morris The report, from Mr Dick Morris, the ABRC's deputy chairman, has recommended

FINANCIAL TIMES WEDNESDAY JULY 26 1989

حبكذا من الاجل

The International

Taring Will

WHEN Sir Geoffrey Howe entered No 10 Downing Street at just after 9am on Monday he was confident that Mrs Mar-garet Thatcher was to begin her cabinet reshuffle by con-firming him in his role as For-sign Socretary

eign Secretary.
Six hours later, and only after consulting with senior colleagues and bargaining at a second meeting with the Primer. second meeting with the Prime Minister, he accepted the post of Leader of the Commons and deputy Prime Minister. Though that second meeting was said to have been amicable, Sir Geoffrey was said to have been "stunned" by the decision.

The tensions were still The tensions were still

apparent yesterday.

While Sir Geoffrey was underlining on BBC radio the pivotal role he expected to play in the Government — assuming the mountlement. ing the mantle once worn by Lord Whitelaw — Downing Street was being distinctly less

There was no specific place in the constitution for a deputy Prime Minister, which, it was "courtesy title," It was by no means certain that Sir Geoffrey would automatically take over if Mrs Thatcher was indis-

Though he had not discussed the matter directly with Mrs Thatcher during the previous few weeks, Sir Geoffrey had been assured through the "usual channels" that along with Mr Nigel Lawson, the Chancellor, he was "safe" in the reshuffle. So when Mrs Thatcher said that she wanted him to move - either to the job of Home Secretary or to that of Leader of the House of Commons he demanded time to

consider his position. The Prime Minister is said by Whitehall insiders to have indicated to Str Geoffrey that their frequent disagreements over the Government's

approach to Europe made such a shift essential. to a head at the Madrid sum-mit last month, when Mrs

CONSERVATIVE MPs

yesterday generally welcomed the Government's new look -

but differed over the parts of

the ensemble they found most

shoulders of Sir Geoffrey

and Leader of the Commons, were the most promising fea-ture of the front beach.

"We need somebody to fulfil the Whitelaw role," said Sir

Peter Blaker. "I hope that he is

going to bave lots of influ-

ence . . . and makes sure the

Government does not get itself again into the very unsatisfac-

tory situation it has been in all

The legislative programme

had been "idiotically heavy," Sir Peter added, "Willie White-

law would have said 'Stop'. I

hope Geoffrey Howe will be able to do the same. It will not

do if we have this sort of thing

readily forgiven if he has mixed feelings about swapping

a relatively cosy corner of Smith Square for Northern

Ireland, one of the toughest

and least rewarding jobs in

British politics.
But his sense of duty to the

party and his loyalty to the Prime Minister means he will

tackle the job with good grace. He comes to it at a good time.

There has just been a chang of regime in Dublin, with Mr Gerry Collins, seen by many as

a future Irish Prime Minister,

of the Anglo-Irish conference.

appointed as Foreign Affairs

Minister . Mr Brooke will thus have the chance to establish new relationships at meetings

He also takes over at one of

the most peaceful periods in Northern Ireland's recent his-

next year, we shall be coming

MR PETER BROOKE will be tory. The IRA has been dam-readily forgiven if he has aged by recent arrests of key

this session.

Some thought the hunched



'Stunned' Howe bargains for time

Clean sweep: Lisann Rosser, 20, at work outside No 10

Tories give general welcome to new look

Thatcher was forced to accept a Foreign Office plan to soften Britain's opposition to greater economic integration. The implication was that,

with the European Community about to embark on crucial negotiations on economic and monetary union, she wanted the Foreign Office run by someone less likely to challenge her views. That analysis appeared to be

up to the election."

Mr Robert McCrindle (Breatwood & Ongar) also looked to

sir Geoffrey with similar expectation - but others were more sceptical. "He clearly wanted to stay where he was; the office of deputy Prime Minister does not write I'm not

quite certain what it adds up to, said one Tory back.

There were those who were

just glad to see the back of Sir Geoffrey from the Foreign

Office. Mr Teddy Taylor (Southend East), veteran anti-

marketeer and secretary of the

European Reform Group, expressed delight at changes

which should lead to a more

objective and realistic approach to European policy. "We were greatly reassured

by the removal of persons (Mrs Lynda Chalker was the other)

who are unduly enthusiastic

Europhiles," he said. Mr Julian Critchley (Alder-

personnel and its activities

Next month, however, marks

have been reduced this year.

the 20th anniversary of the arrival of British troops in the

province. With the IRA very

fond of marking anniversaries, Mr Brooke is likely to have his

hands full before too long. He will want to capitalise on some of the solid achievements

of Mr Tom King, the longest-

serving Secretary of State in the province. While a settle-ment to Northern Ireland's

off, Mr King doggedly pursued his attempts to start talks

between the various constitu-tional parties. Hopes of some limited breakthrough are

judged to be higher than for some time.

ms remains a long way

Brooke comes to Ulster at a good time

confirmed by the little-noticed announcement that the dis-tinctly Thatcherite Mr Francis Maude was to be transferred to the Foreign Office to act as the junior minister responsible for

European policy.
Sir Geoffrey is said to have considered only briefly the possibility of resignation following Mrs Thatcher's decision. He is said by friends to be tempera-mentally an "insider", and was

shot), casting a discerning eye

over the scene, stated fistly: "The best thing about it is

Chris Patten (new Environ-

His response was not just because he had clashed with

the previous incumbent's

apparent support for a new town in Hampshire. I have always thought that Chris Pat-

ten was the great white hope of moderate Conservatism," he

Mr Critchley detected a wel-come shift to the left in the

Government's new cut. John

Major's elevation to Foreign

Secretary did not mean that he would be the next leader of the

party. "He may be flying too

Michael Heseltine's position

as an outside candidate for

the leadership - would be more difficult now that Ken-

neth Baker had become party chairman. "Michael has been

de facto chairman for some

In Belfast, however, the

appointment was being seen as an indication that there is little

prospect of new political initia-

tives in the near future. Union-

ists said that the Anglo-Irish agreement remained a stumb-

ling block to political progress and that Mr Brooke would

have to be more flexible than

his predecessor if there was to

hilities as paymaster general were always going to play sec-

ond fiddle to the party chair-manship, has been regarded as a sound, if unexciting member of the Treasury team. Even

before his last appointment, he was widely respected and liked

within the party as an old-

style, Tory gentleman. His background is entirely

Mr Brooke, whose responsi-

be any real progress.

close to the sun.

reluctant to join Mr Michael Heseltine on the Commons

He was also unenthusiastic to move to the Home Office at best a sideways move follow-ing his spells as Chancellor and Foreign Secretary, and told the Prime Minister's office by telephone later that morning. Mr Douglas Hurd, the incumbent Home Secretary was told at lunchtime that he would be remaining.

So when he returned to Downing Street on Monday afternoon - entering as in the morning through a connecting door into the Cabinet Office to avoid waiting television cameras - he accepted the job of Leader of the House, on certain conditions. Those included that he be given the title of deputy Prime Minister — discussed in the earlier telephone calls and that he be given the chairmanship of the four cabinet committees once held by Lord Whitelaw. He also insisted that he would preside over any Star Chamber adjudications on disputes over public spending and should have a role in the formulation of the manifesto.

Whether Sir Geoffrey will manage, however, to assume the central role that Lord Whitelaw held in shaping the Prime Ministers' decisions – in making it clear to her what was politically possible and what was not — is yet uncer-

Many Conservative MPs were voicing hopes yesterday that he would be able to temper Mrs Thatcher's natural radicalism and impatience. Sir Geoffrey also has a strong power base among backbenchers and among the many ministers in the Government whose careers have benefited

winge careers have benefited from his sponsorship. His friends at Westminister were confident yesterday that this would ensure that his voice would continue to be heard - and listened to - in Downing Street. This week, however, was hardly an auspi-

time - making more speeches,

doing more travelling than anyone. But it will not be so

easy to upstage Kenneth Baker, Mr Critchley said.

Mr John Heddle, chairman of the Tory environment commit-tee, agreed with Mr Critchley, that "Chris Patten is abso-

lutely_right - a very good

good words for John Major -

Political judgment, firmness,

patience, an ability to negoti-ate all the right qualities.

By and large Tory MPs

thought the Government's

appearance was more caring and compassionate, and that Kenneth Baker was the right

choice to present the new image to the country.

Would that be enough to regain popularity? "The test is yet to come," said Mr McCrindle. "It may be that

some of our policies will have

cated at Marlborough and

Oxford, where he was president of the Union, and Har-

vard. The son of Lord Brooke,

the former Home Secretary, he

tried unsuccessfully to win

adoption in several constituen-

cies before winning City of London and Westminster

Though his reputation as a

"safe pair of hands" may have suffered following the party's

recent problems, most notice-

ably over its handling of the

European elections, Mrs Thatcher has decided that his level-headedness is well-suited

to the explosive political arena

of Northern Ireland. He has gained only limited

ministerial responsibility,

spending four years in the Department of Education up

until the 1987 election.

Sir Peter Blaker had some

hardest in Whitehall By Philip Stephens, Political Editor AS Mr Norman Lamont moved

Lamont job

probably

into the office of Chief Secre-tary of the Treasury yesterday be was clearly aware that his promotion to the Cabinet brings with it probably the hardest job in Whitehall over the next few months. In his new role he will have

In his new role he will have to preside over one of the most difficult rounds of public spending negotiations since the early 1980s.

That will mean 16-hour days from now until November — interrupted by only a brief holiday next month — and the prospect of harsh negotiations during the autumn with the ministers in charge of Whitehall's main spending departments.

ments.

The challenge of the job, he said yesterday, was that "it was at the heart of politics... about making choices." But he was under no illusion that such choices

would be easy.

There was always pressure for higher public spending but it was also fundamental to the Government's strategy to contain overall expenditure. This year that would be even more difficult. "It is going to be a very tough round," Mr Lamont said, echoing the words of his predecessor Mr John Major.

The twin pressures of the

The twin pressures of the need to curb inflation - and maintain the confidence of the financial markets — and demands from the electorate for additional resources for key public services such as health and transport have

rarely been so acute. No official figures are avail-able, but the Treasury is not discouraging suggestions that the hids it has received from individual spending ministers are more than £10bn above the just over £170hn target it has pencilled in for the financial year starting next April.

Mr Lamont's experience at the Treasury should help. For the last three years he has been Financial Secretary under Mr Nigel Lawson, responsible for tax policy and for the Government's privati-sation programme. Mr Lawson was thought to be keen that he should be promoted.

Like the other new entrants to the Cabinet, the 47-year-old minister is not by instinct or political background, a natural "true believer" in Thatch-erite radicalism. Those watching him steer this year's Finance Bill through the Com-mons found it hard to believe that he was enthusiatic, for example, about her insistence that the elderly should receive tax relief on private health

insurance. Conversely, he was said to be keener than Mr Lawson, about the measures in the last budget to help the low-paid through reductions in National Insurance Contribu-

He does, however, share enthusiatically the Government's underlying economic philosophy, with its emphasis on tight control of inflation, on deregulation and competition tion, and on tax cuts.

Though he is unapologetic about his early associations with Mr Edward Heath's government, he is also a firm advocate of the privatisation programme and of the push

for wider share ownership.
The job of scaling down the spending hids of key departments such as health, transport, social security and the environment will also prove a severe test for any "wet" instincts he may retain.

Walker survives again despite the dissent

By Philip Rawstorne

ONE OF the most remarkable features of the government reshufile is that Mr Peter Walker has survived – again.
One by one, Mrs Thatcher
has disposed of the members
of the old Heathian hierarchy - James Prior, Francis Pym, Sir Ian Gilmour, Lord Carring-ton - as she has imposed her adership on the party.

But 10 years and 11 reshuf-fles since she formed her first government, Peter Walker is still there, a lone dissident among the deferential.

He was grudgingly taken into the Cabinet in the first place, as Minister of Agriculture, a far more junior role than he had enjoyed at envi-ronment and trade and indus-try under Heath. Four years later, he was made Secretary for Energy, and then in 1987 became Secretary for Wales. He represents, like the Tory Reform Group he has long led, an important and once-domi-nant element of the party — the moderate "One Nation"

Torvism. It is very much in that tradition that he has for the last two years ruled Wales like some independent political - and done so success-

Inexperienced Major faces a high-profile test of his mettle

INQUIRIES yesterday whether Mr John Major, the new For-eign Secretary, had ever been abroad may have been over-stating the case, but his experi-ence in world affairs is as narrow as Sir Geoffrey Howe's is

Overnight, however, he has assumed one of the highest profile jobs in the government. The post may not carry the cachet that accompanied it during the days of Empire but, as recent events have shown, it can quickly and unexpectedly test the mettle of the owner of the most experienced pair of

If Mr Major's startling appointment left him astounded, then so was the Foreign and Commonwealth Office. The FCO does not often admit to being taken by sur-prise but there was no attempt in King Charles Street yesterday to hide the fact that Sir Geoffrey's departure and Mr Major's arrival was anything other than a bolt from the

From Mrs Thatcher's point of view, the appointment not only helps to create a fresh image for a tiring, embattled government but it puts into place a man whose inexperi-ence will leave him, at least initially, more reliant upon her than a predecessor whose views were the source of grow-

ing irritation. There is nothing in Mr Major's history to suggest that he is a natural Thatcherite and his words and actions mark him out more as a pragmatist than a man driven by ideologi-cal obsession. But with a critical time ahead in Europe, as moves for economic and monetary reform accelerate, he is certainly less likely to chal-lenge the prime minister's own, decisive views.

The presence alongside him of Mr Francis Mande as junior minister with responsibility for European affairs, should help maintain the leader's line. The Prime Minister's well-

publicised aversion to any developments in the Community which involve an abdica-tion of national sovereignty, particularly in the monetary field, could lead to early clashes between Mr Major and his European colleagues. Sir Geoffrey had a special

talent for toning down Mrs Thatcher's most controversial statements and policies on Europe. His European Community partners are eagerly waiting to see whether Mr Major, with his own, finely-tuned political antennae, can match his predecessor's diplo-



Foreign territory: John Major enters his new ministry

At Westminster, one senior Tory backbencher warned yesterday that Mr Major would risk destroying himself politi-cally if he became little more than a prime ministerial lackey. The advice was that he must, as soon as is prudent, begin to carve out his own, distinctive political stature. Little is known about Mr

Major's views on foreign policy issues and senior officials at the FCO were confined to tell-ing their staff that he was "a swift and voracious reader." What is certain is that Mr Major will have a vast amount of information to absorb in August, though the only important international meet-ings he is expected to attend

before September will be the international conference on Cambodia in Paris starting next Sunday. At the top of the pile of briefs will be Hong Koog and Argentina. Mr Major will be intimately involved in drawing up the Government's modified plan for offering a limited number of Hong Kong British

unusually hostile reception during his recent visit to the colony because of his inflexibil-

mending task. Another issue which will test the talents of the new Foreign Secretary to the maximum is the proposed opening of talks on the re-establishment of diplomatic and com-mercial relations with Argen-

These could start before the end of the year, although the whole enterprise is full of potential pitfalls, particularly given the intense interest that Mrs Thatcher has always taken

in the problem.

David Buchan in Brussels adds: Britain's Community partners expressed some trepidation at the appointment of John Major, a man whom none of them know.

The UK cabinet reshuffle has received some attention from EC diplomats here for its implications for the raft of Community negotiations which involve virtually every White-

The main reaction was regret at the departure of Sir Geoffrey, who is much valued by his European counterparts for his unfailing good humour, passport holders the right of abode in the UK. for his unfailing good humour, just when he had come to be seen as a counter to Mrs Marjust when he had come to be garet Thatcher's innate resistance to EC proposals such as the recent Delors plan ity on the subject and Mr for economic and monetary Major faces a difficult fence-

Banker given a chance to shine

MR JOHN REDWOOD, who leaves the backbenches to become a junior minister at the Department of Trade and Industry, has never been far from the leading edge of That-cherism, even if his contribu-tion has been largely confined to the back-room of the Tory

party's policy-making machin-An MP for only two years, Mr Redwood's belief in popular capitalism and in returning power to the people at the expense of overwheening gov-ernment has been inseparable from that of his party leader.

He should fit well into Mr Nicholas Ridley's team. Although his performance at Westminster has not lived up to expectations borne of a reputation for being one of the party's best intellects, his new post will give him a chance to

A Fellow of All Souls at the ge of 21 who had also found time to be a temporary post-man, a shop assistant and a teacher, he took a job with Robert Fleming and moved on to N.M. Rothschild in the City as part of a career strategy which was always intended to end in main-line politics.

A former Oxfordshire county

councillor, he unsuccessfully nursed the Peckham constitudemic qualifications won him



John Redwood: should fit in well with Ridley's team

an invitation in 1983 to join Mrs Thatcher's policy unit, of which he quickly became the head. Long before he won his Wokingham seat in 1987 Mr Podwood who is 28 was over Redwood, who is 38, was exercising more influence in Downing Street than most MPs ever

He still has one foot in the City. Having temporarily rejoined Rothschild as a director in charge of overseas priva-tisations he is now non-executive chairman of Norcross, the building materials and printing group. But it is politics which fascinate him most and he remains an untiring evangelist

for privatisation and the Thatcher revolution. A member of the right-wing "No Turning Back Group" and an adviser to Aims of Industry, the right-wing pressure group, he does not belong to the "time for a rest" brigade. He has excelled in putting forward proposals on issues ranging from taxation and the NHS to education, which have later re-emerged as part of Tory party policy.

Last year, he was calling for a 40 per cent top rate of income tax and the Chancellor duly He holds no brief for faint-

hearts and believes that "only more Thatcherism, or good old-fashioned, wealth-spreading, enterprise-loving Conservatism" can set the seal on what he sees as an economic revival which has impressed the world.

In spite of his apparent pas-sions, there are those at Westminster who prefer to see him as, essentially, a rather cold-hearted investment banker. The view is easier to under stand on reading Redwood forecasts such as: "The 1990s

will be the decade of the inter-national equity."

Among Mr Redwood's previ-ous publications is one entitled "Going for Broke." It could prove an apt name for his own autobiography.

The Cabinet and other appointments Familiar field for David Curry and Mrs Gillian Shephard.

The Cabinet:

Prime Minister: Mrs Margaret Thatcher Lord President of the Council: Sir Geoffrey Howe. Chancellor of the Exche-

quer: Mr Nigel Lawson. Lord Chancellor: Lord Mackay of Clashfern.

Home Secretary: Mr Douglas

Mr Peter Brooks. Hurd.

Foreign Secretary: Mr John Welsh Secretary: Mr Peter Walker

Employment Secretary: Mr Norman Fowler Defence Secretary: Mr Tom

King.
Trade and Industry Secretary: Mr Nicholas Ridley.
Chancellor of the Durhy of Lancaster: Mr Kenneth Baker. Health Secretary: Mr Kenneth Clarke.

Secretary for Education and Science: Mr John MacGregor. Scottish Secretary: Mr Malcolm Rifkind.

Cecil Parkinson. Knergy Secretary: Mr John Wakeham. Lord Privy Seal: Lord Belstead. Social Security Secretary:

Mr Anthony Newton.

Environment Secretary: Mr Christopher Patten. Northern Ireland Secretary: Minister for Agriculture: Mr John Selwyn Gommer. Chief Secretary to the Trea-

sury: Mr Norman Lamont. Other Appointments: Treasury: Paymaster General: Earl of Cathness, Financial Secretary: Mr Peter Lilley. Reconomic Secretary: Mr Rich-

ard Ryder. Defence: Minister of State: Mr Alan Clark. Under-Secre-tary of State: Earl of Arran. Foreign and Commonwealth Office: Ministers of State: Mr Francis Maude and Lord Bra-bazon of Tara. Under Secretary of State: Mr Tim Sainsbury. Transport Secretary: Mr. Minister for Overseas Development: Mrs Lynda Chalker. Environment: Ministers of State Mr David Hunt and Mr David Trippier. Health: Minister of State: Lord Trafford. Northern Ireland Office:

Minister of State: Mr John Cope. Under-Secretaries of State: Mr Peter Bottomley and Lord Skelmersdale. Home Office: Under-Secretary of State: Mr Peter Lloyd. Trade and Industry: Minis-

tern of State: Mr Donglas Hogg and Lord Trefgame. Under-Sec-retary of State: Mr John Red-Employment: Minister of State: Mr Timothy Eggar. Under-Secretary of State: Lord

Agriculture: Parliamentary Secretaries: Mr David Maclean and Mr David Curry. Education and Science: Under-Secretary: Mr Alan Social Security: Under Secre-Gilliz taries of State: Lord Henley rity.

Transport: Under-Secretaries of State: Mr Robert Atkins and Mr Patrick McLoughlin. Government whips: Deputy Chief Whip: Mr Tristan Garei-Jones. Comptroller: Mr Alas-tair Goodlad.

The following ministers have resigned from the government: Mr John Butcher, Education and Science; Mr John Lee, Department of Employment; Mr Donald Thompson, Ministry of Agriculture; Mr Peter Viggers, Northern Ireland Office; Lord Lyali, Northern Ireland Office; Baroness Hooper, Department of Energy; Mr Ian Stewart, Northern Ireland; Lord Glenarthur, Foreign and Commonwealth Office.

The following ministers join the Government for the first time: Mr John Redwood, Trade and Industry; Mr David Curry, Agriculture; Mr Patrick McLoughlin, Transport; Mrs Gillian Shephard, Social Secu-

By Michael Cassell, Political Correspondent MR DAVID CURRY, who emerges after just two years on the back-benches to savour his

first taste of ministerial responsibility, is better known in Strasbourg than at West-

That should all change, with his appointment as a parlia-mentary secretary at the Min-istry of Agriculture. He is expected to take on the responsibilities for fisheries and ammal welfare, previously held by Mr Donald Thompson, another Yorkshire MP, who was dismissed in the reshuffle. Mr Curry is said to have found the Commons rather frustrating so far, given his 10year stretch in the European parliament as MEP for North East Essex and his not incon-

siderable influence in matters agricultural.

Bright and well-informed, he arrives with a detailed grasp of

his subject which most departmental newcomers would envy. A former Farming News and Financial Times journalist with an Oxford and Harvard education behind him, Mr Curry went for a European seat in 1979, having failed in his bid to get to Westminster via Morpeth. He won selection for North

East Essex against Mr Paul Channon, who was then Mrs Thatcher's nominee for the European leadership. Mr Chan-non's defeat left the Tory party to search for a new Euro-leader in the shape of Sir Henry Plumb. Given yesterday's news, Mr Curry's ability to spoil the plot has clearly not been held against him.
An EEC farm surplus

reformer who now believes the budget is coming under control, he knows a great deal more about the subject than

leagues. He has been budget-ary spokesman for the European Democrats' group in Strasbourg, vice chairman of the parliament's budget committee and, between 1982 and 1984, chairman of its agricultural committee. Mr Curry, who is 45, won Skipton and Ripon in 1987 and

most of his Westminster col-

became one of the handful of MPs with two constituencies to nurse. After two years of dashing between his two British seats - 200 miles apart - he retired from the European parliament at this summer's elec-

Mr Curry's Commons performances, invariably on agricul-tural and European issues. have been impressively knowledgeable and his appearance at the despatch box should help redress any lack of personal

UK NEWS

TSB unveils plan to improve retail banking services

PLANS to streamline TSB Bank's retail operations and make them more competitive were unveiled yesterday by Mr Peter Ellwood, chief executive of TSB retail banking.

Mr Ellwood, who joined TSB from Barclaycard in March, said he aimed to create a leaner and fitter structure in the bank. He would not rule out the possibility that the changes would lead to some job losses, and declined to comment on reports that there could eventually be as many as 1,800 redundancies.

"It would be entirely speculative and very premature to suggest at this stage how many jobs are likely to be affected. Until the end of October when our detailed implementation plan is ready nobody can know the numbers affected," he said. Mr Ellwood confirmed that the changes were likely to cost around £100m over the next two or three years, but said they should help restore the

overall profitability of TSB Bank's retail operations.
TSB Group profits, which come largely from retail bank-ing, fell to £164m in the first half of this year, 22 per cent down on the same period in

Restructuring of TSB Bank transforming what was originally a federation of local savings banks into a cohesive

speeded up earlier this year after Sir Nicholas Goodison became group chairman. TSB retail banking branch

network operations are now to be regrouped into three profit centres covering the south of England; Midlands, the north-west, and TSB Northern Ireland; and TSB Scotland and north-east England.

Though the special regional status of TSB Scotland and Northern Ireland, including their regional boards and head offices, will be maintained. TSB England and Wales has

effectively been dismantled.
Mr Leslie Priestley, TSB
England & Wales' chief executive, announced three weeks ago that he would leave the group in September. Another executive director, Mr Alastair

Boyd, is also to leave. Mr Ellwood has also appointed five special task forces to produce detailed plans by the end of October for the overhauling of TSB's retail operations. One team, under Mr Harry Read, will report on redesigning the group's 1,600 branches to cut down on paper

work and focus on sales. Another team, headed by Mr Brian Cooper, will review all head office operations and identify possible cost-cutting moves. Others will review performance, financial products, and small business and com-

Junior markets face decision on future

By Vanessa Houlder

new EC regulations, is likely to be decided by October.

The debate about the junior markets has been triggered by attempts by the EC to unify listing requirements across Europe. At present, it is thought that the most likely outcome of these moves is a merger between the Third Market and the Unlisted Securities Market, although several other options are being discussed.

The Stock Exchange has been mulling over the significance of the new regulations for several months. At present, is having informal discussions with member firms. The issue will be discussed by the quotations committee and by the Stock Exchange Council before a firm decision is made. The decision will come into

force next year, when the new directives are enacted. The debate concerns the cumulative effect of three regulations. The first directive, already in force, is the 1985 list-ing particulars directive, which stipulated that a company should have a minimum threeyear trading history in order to obtain a listing, while allowing individual markets to set more onerous requirements.

In addition, there is now a

THE FUTURE of the Stock exchange's junior markets, which may be threatened by new EC regulations, is likely to ognition of Listing Directive, which will allow a company listed on one European stock exchange to be admitted to any

> As a result, London Stock Exchange may have to reduce its trading record requirement from five years to three years to bring it in line with most other European countries. This will have the effect of removing an important distinction between it and the USM, which already requires a three-year trading record.

> The Stock Exchange believes it has several options. It could keep the three markets as they stand and merely amend the listing requirements; it could create one market with different procedures for different types of companies; or it could merge the USM and the Third Market, with the likelihood that some companies would be

> promoted to the main market. The review of the Third Market's future has coincided with some dissatisfaction about its performance since its creation in January 1987. It has not attracted the number of companies originally expected and some members have voiced criticism about its status and name, which they view as hav-

Population shows sharp change in age profile

By Alan Pike, Social Affairs Correspondent

DRAMATIC changes taking place in the age composition of Britain's population are shown in Government population esti-mates published yesterday. The number of people aged 75 to 84 increased by 14 per cent between 1981 and last

year, while those aged 85 and above rose by 33 per cent. This is part of a trend which, it is projected, will lead to the number of over-85-year-olds in Britain almost doubling between now and 2025. At the same time, the num-

ber of young people aged up to 15 has fallen by 824,000, or 7.5 per cent, since 1981, with the number aged 10 to 15 years down by 23 per cent. Children aged up to four years, however, increased by 9 per cent over the same period.

The opposing trends of an increase in the very elderly population and a decline in the number of young people entering the labour force will domi-nate the British population structure for the remainder of the century. These trends have widespread implications for employers' recruitment and training policies, and for plan-ning across the entire range of education, housing and social

services.
Yesterday's figures, from the
Office of Population, Censuses
and Surveys, show that the
population of Greater London
declined by 35,000 between 1987
and 1988 to 6,735,000 – the
most substantial change since

1982. The London Chamber of Commerce said yesterday that it attributed most of the drop to the sharp increases in Lon-don house prices during the 1980s. It says its research suggests that recent lower house prices will generate an upturn in London's population during the remainder of this year. Most of the growth in popu-

lation during the 1980s has been in the south of England. Cambridgeshire, the Isle of Wight, Buckinghamshire and Wight, Buckingnamanire and Dorset were the fastest grow-ing counties, with all four experiencing population increases of around 10 per

Some of these top growth areas, such as Dorset and the Isle of Wight, attract a large retirement population and will be particularly affected by the rise in the number of very old people in the population.

Much of taken place in pressure the pressure areas.

lation has taken place in a which have been affected by industrial change. The greatest population losses since 1981 have been in Merseyside, down 5 per cent, and Cleveland, with a decline of 3 per cent.

Ethnic register plan for schools

ALL STATE schools will have to collect information on the ethnic origins of new pupils from September 1990, the Government announced yesterday. Parents will be asked to provide information, on a voluntary basis, on their children's Full texts of the NatWest chairman's letters to the Governor of the Bank of England

Boardman says report 'inaccurate'

THE FOLLOWING are the texts of two letters sent yesterday by Lord Boardman, chairman of National Westminster Bank, to Mr Robin Leigh-Pemberton, Governor of the Bank of England, on resignations from the board of NatWest following last week's report by Department of Trade and Industry Inspectors into the Blue Arrow affair:

National Westminster Bank 41, Lothbury London EC2P 2BP Dear Governor,

I have tendered my resignation as Chairman and Director of this bank. I have done this for two reasons:

1) As you will know from a separate letter from me, the separate letter from the, the Board has, with great regret, accepted the resignations of Messrs. C. Green, T. Green and J. Plastow. I have indicated in that letter my views regarding the criticisms of them in the DTI Report. Although my col-leagues and I agreed that those resignations were inevitable in the circumstances, I personally felt that I could not accept the resignations of three loyal directors of great integrity and ability and remain in my

2) Although there were no criticisms of me in the DTI Report, nevertheless, there were serious failings within a part of the Group for which I



chairman until September must accept ultimate responsi-

My Board has asked me to delay the date on which my resignation takes effect until the end of September when my successor, Lord Alexander, ceases to be Chairman of the Takeover Panel and so that we can arrange for a smooth tran-sition of responsibilities.

I am prepared to do this, albeit with some reluctance, as I recognise the importance of providing continuity. Lord Alexander of Weedon will, therefore, succeed me as Chairman of National West-

minster Bank on 1st October

Yours sincerely, Tom Boardman

It is with great regret that the Board has accepted the resignations of Charles Green Terry Green and John Plastow In view of the criticisms of them in the Inspectors' Report

on the Blue Arrow affair and the subsequent adverse public-ity which has been so damag-ing to them and the National Westminster Bank Group, they have agreed that their resignations are in the best interests

of the Group.

Charles Green, Terry Green and John Plastow are bankers of total integrity. They have each served the bank and the community for over 40 years.
The Report of the Inspectors in no way impugns their honesty.
Nor does it suggest that they were actively responsible for the development of events at County NatWest which is chronicled in the Report

chronicled in the Report.

The suggestion of the Inspectors is that they should not have accepted the assurances that they were given by the two executives of County Nat-West who had responsibility for the transaction. I believe it is inconsistent, that they is inconsistent that they should be so criticised when the inspectors attach no criticism to others who received similar assurances.

My view is that the Inspec-

tors' account of the meetings on the 29th September 1987 is inaccurate in some respects



Leigh-Pemberton: did not require resignations

and unfair in its conclusion. No opportunity was given to these Directors, as required by the DTI Guidelines, to challenge some of the evidence upon which the inspectors have based their findings, nor to counter certain of the criticisms

The Board of NatWest is very sad to be losing them. Their resignations in the interest of the Bank are typical of their lifelong consistent and overriding concern for the food of the Bank itself.

Finally, I am glad to record that there has been no require-ment on your part for these Yours sincerely,

Process industry plant rates equalised

By Ian Hamilton Fazey

PROCESS industries such as chemicals, steel, power genera-tion and oil refining will have to pay more in rates in England and Wales, but less in Scotland, following a govern-ment decision yesterday on harmonising the way their rates - or local taxes - are calculated. The cost to all the industries

involved is likely to run into several hundred million pounds, although a "disap-pointed" Chemical Industries

Association was unable to pro-vide a more definite figure last More quoted companies

MORE AND more publicly

listed companies are changing hands through management

buy-outs and buy-ins - in

spite of the reluctance of many

A survey by accountants Peat Marwick McLintock

showed that 22 public company

buy-outs and buy-ins have

been completed successfully in

Britain since 1983, when managers staged a £310m buy-in at F.W. Woolworth, the variety

Public company buy-outs got

off to a slow start with three unsuccessful attempts in the

mid-1980s, when management teams failed to win control of Simon Engineering, McCorquo-dale, a printing group, and

Molins, a manufacturer of ciga-

Since 1986, however, every

rette-making machinery.

port such takeovers.

store group.

sold through buy-outs

The Government's decision - announced by Mr Chris Patten, the new Environment Secretary - was to set a national decapitalisation rate of 6 per cent for industry.
"Decapitalisation" is a

means of calculating rateable Usually there is an assessment of what rent might be obtained if a factory or office block were put on the market But chemical plants and steelworks are owner-occupied and cannot be used by any other type of industry, so there is no market for them.

succeeded, culminating in successful management bids this year for Magnet, a kitchen and DIY company, and Gateway,

and buy-ins is now £4.9bn, and

seven of them - worth £3.1bn

have taken place this year.

listed companies have

accounted for 11 per cent of all buy-outs by number and 35 per

cent by value in the past six

Listed buy-outs are more dif-

ficult to arrange than deals involving unlisted companies,

because the institutions are

dubious that management

teams know more about a com-

pany than the shareholders

The institutions argue that managers should be able to be

just as successful working for

Buy-outs and buy-ins of

the supermarkets group.

The total value of bu

Rateable values are thus related to the cost of reconstruction of the plant. The decanitalisation rate is the proportion of construction costs deemed to be the rateable value. A £100m catalytic cracker would have a rateable value of £6m at the new decapitalisation rate.

To obtain the actual rates to

be paid, this figure is then multiplied by the national uniform business rate (NUBR) to be applied from next year. An NUBR of 30p in the pound would result in a rates bill of

Disappointment in industry arises because the present decapitalisation in England and Wales is 5 per cent. How-ever, Scottish levels vary between 7 and 9 per cent and the new rate was welcomed there last night.

The Government has spared schools, colleges and universities, educational properties which are rated by the same method. Their decapitalisation rate will be 4 per cent, as will that of non-profit making bodies also rated by this method, together with hospitals and other health establishments.

Tories expect 1m students not to repay their loans

By David Thomas, Education Correspondent

MORE than 1m graduates are expected to be deferring or defaulting each year on their obligation to repay their student loans when the proposed student loan schame has been

defaults will reduce the money flowing back into the Exche quer under the scheme by more than £120m a year. Moreover, the loan scheme

would not make a cumulative saving to the Exchequer until 2026, on the most extreme assumption of 160 per cent take-up of the scheme and assuming annual administrative costs of £20m.

These are some of the key points which emerged from a batch of Parliamentary written answers given yesterday by Mr Robert Jackson, Minister for Higher Education, to Mr Andrew Smith, his Labour Mr Smith said the answers justified the scrapping of the

first time the detailed assump-tions used by the Government and the banks to cost the scheme, which is due to be phased in from October 1999. By the year 2027, it is expec-ted that 2.76m students will be covered by the scheme, includ-

ing 427,000 students still receiving loans and 2.23m graduates who will be due to be making repayments.

default without reason. Defaults will reduce the

scheme. The answers disclose for the

fully phased in.

Deferrals of payment and

Just over 930,000 graduates are expected to defer their repayments, on the ground that their income is below the cut-off point specified in the scheme, while 130,000 will

money flowing back to the Exchequer by £45.8m and deferrals by a further £82.6m, leaving £412m being repaid.

ethnic origin, religion and the language spoken in their home. attempt to stage a buy-out or a buy-in of a public company has shareholders as for themselves directive attempting to co-ordiing "third rate" connotations. under a buy-out. High cost of finance is limiting investment, CBI finds

By Simon Holberton, Economics Staff

THE FIRMEST evidence yet of Government policy slowing the economy was provided yester-day by the Confederation of British Industry's industrial trends survey for July.
The quarterly survey shows

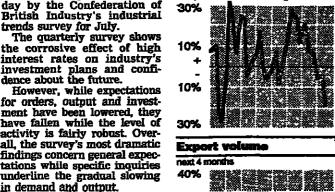
interest rates on industry's investment plans and confi-However, while expectations for orders, output and invest-ment have been lowered, they have fallen while the level of activity is fairly robust. Overall, the survey's most dramatic findings concern general expec-tations while specific inquiries

in demand and output. It should comfort the Treasury, which has received a largely ambiguous picture of the past six months, although it suggests the consumer goods sector remains buoyant relative to other sectors of the industry, notably capital

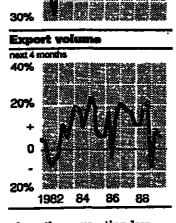
The CBI survey was carried out between June 21 and July 12. and covered 1.336 companies which are responsible for about half of the UK's exports and employment in manufac-

Business optimism. Business confidence declined in June for the third successive quarterly survey. Companies are markedly less optimistic about the general business situation than

they were in April. Some 12 per cent said they were more optimistic about the general business situation than four months ago, while 31 per cent said they were less optimistic. The resulting percentage balance - the proportion reporting greater optimism

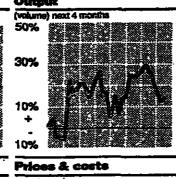


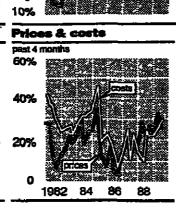
Business confidence



minus those reporting less was -19 per cent. This compared with a balance of -5 per cent in April and was the lowest balance recorded since October 1982.

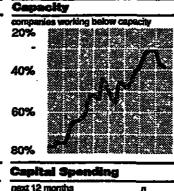
Orders and output. Growth in demand has moderated for the fifth consecutive survey, in spite of an expectation in April that growth would be broadly stable. A balance of 5 per cent of firms reported an upward trend in orders over the past four months (in April the expectation of higher orders was 9 per cent). A balance of 9 per cent expect new order to pick up slightly the coming

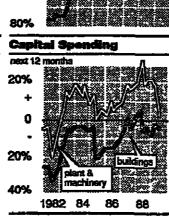




Confirming a continued slackening in demand growth, total order books have weakened since April, a balance of -5 per cent of respondents reporting orders below normal, compared with 1 per cent in

The manufacturing sectors most affected by the slowing in demand are small companies of fewer than 200 employees and the capital goods industries. Consumer goods, by contrast, report a strong pick-up in orders over the past four months and expect steady growth over the next four. The capital goods industries expect a pick-up in demand, while

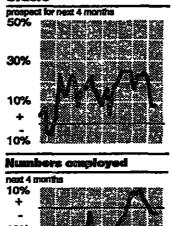




small companies expect slow growth in orders. Growth in output also continues to moderate, but at a slower rate than demand. A balance of 10 per cent of respondents reported an increase in output over the past four months, compared to a balance of 18 per cent in the four months to April - the

The rate of growth in output remains considerably below what was seen in 1987 and last year. The slow growth in output is spread across all companies, but is particularly marked in small companies

lowest balance since January



10% 30% 1982 84 86 88 and the capital goods industry.

report a pick-up in output, in line with stronger demand. Stocks. There was been evidence of a build up in stocks in the past four months, but industry expects these to be unwound in the coming four months. A balance of -17 per cent of respondents expect a down trend in stocks of finished goods; consumer goods

The consumer goods industries

nificant destocking. Constraints on output. A shortage of orders or sales is still cited at the most important constraint on output. The

industries expect the most sig-

in the July survey, however, is one of the lower rates of the 1990s.

Skilled labour shortages the second most frequently blamed constraint on output were this time cited by a balance of 24 per cent, especially the capital goods industries where shortages are up from 22 per cent in April. A lack of plant capacity, as a reason limiting output, contin-

ued to decline in significance in July. Only 19 per cent of respondents cited it, compared with 21 per cent in April and 29 per cent in October.

The proportion of respondents reporting their present level of output to be below

capacity rose to 39 per cent in July, from April's level of 37 Capital expenditure. Industries' investment intentions for the next 12 months have weakened significantly, partly reflecting lower capacity utilis-ation and expectations of slower growth in demand. A balance of just 3 per cent

expect to authorise more capi-

tal expenditure, compared with

18 per cent in April and 21 per cent in July. Larger companies - with more than 5,000 employees reported the biggest fall in investment intentions, July's balance of 4 per cent compar-ing with April's of 50 per cent. Small companies and the consumer industry expect a slight decline in investment, while the balance of intentions for investment in buildings is negative for the fifth successive

SUIVEY. Reasons for the fall off in investment intentions reflects an madequate net return on the proposed investment. uncertainty about future demand and the high cost of external finance. Not since October 1980 have so many companies cited the cost of finance as a factor limiting future investment.

Employment. The survey suggests no growth in manufacturing employment. Over the past four months a balance of 2 per cent of companies increased their workforce; in the next four months a balance of 3 per cent expect employ-ment levels to fall. The consumer goods industries expect to shed most jobs during July-

September.
Costs and prices. Industries' costs have been rising. In July a balance of 32 per cent of companies reported an upward trend in unit costs, compared with 25 per cent in April and 22 per cent in January. A signifi-cant pick-up in costs was seen in the consumer goods and capital goods industries.

Prices, however, appear to be rising at a much slower level. A balance of 17 per cent raised prices in the past four months, compared with 33 per cent in April. A balance of 26 per cent expect to raise their prices. Expectations are lower than they were in April and broadly

similar to a year ago. Exports. Optimism over the outlook for export markets has improved slightly since April, with a halance of 2 per cent expecting better export prospects in the coming 12 months compared with 5 per previously. Over the coming four months a balance of 6 per cent expect better exports.

However, a balance of -9 per cent of respondents said exports were below normal, against -7 per cent in April.

The water authorities are keeping their cool

By Richard Evans

THERE WOULD have been standpipes in virtually every town and village in the country if we had had this sort of weather 15 years ago," said a water industry spokesman defensively. For although there are

hosepipe bans operating now in five out of the 10 water authorities in England and Wales, the vast bulk of supplies are being delivered normally after one of the driest winters and hottest spring-summer periods on

record.

The prediction from the Water Authorities Association water Authorities Association is that, provided consumers treat supplies sensibly, stocks throughout England and Wales should be adequate to meet demands - except in very limited areas where early defensive measures are being taken now.

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Water State of the State of the

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There is a need for sensible economising of water supplies. But the fact that many emergency drought orders are being sought by water authorities does not indicate a crisis. These orders will enable authorities to take more than the usual amount of water from rivers and boreholes to supplement supplies, and they may restrict the domestic use of water to essential needs.

The industry learned its lessons the hard way in 1976 when there was a national drought lasting several weeks. Another lesson, albeit to a lesser extent, came in 1984, when a drought affected the western side of the country.

It was a time when the industry, welded into 10 river-basin authorities in 1974 from hundreds of small local authority-run organisations, was being starved of investment capital by the Treasury. The droughts forced

departmental action. Additional reservoirs have been built in areas where the shortage was most acute, like South West Water. Methods of storing water have been improved with the construction of big, covered storage areas. Perhaps most important of all though, there is more scope to move water

around from areas of good supply to areas of need.
Yorkshire Water has a
particularly highly developed
water transfer system between rivers which guarantees good

eack-up supplies. authorities affected in limited areas by the present drought, is in the process of constructing a huge ring-main around London which will be able to pump water anywhere it might be needed by the early 1990s.

The difficulty in Thames. as in other regions, is not so much a supply problem as one of distribution. Demand for water at the end of last week was 50 per cent up on the same period last year because of the heatwave. Thames corenally keeps 80

to 100 days supply in storage and the current level of 80 days is, therefore, not The authority has a hosepipe ban operating in south Exfordshire and a precautionary bea in south-east London, where supplies have been restored. Water was cut off to thousands of homes when the main treatment plant at Hampto

in west London was put out

of commission by an

infestation by midge fly The worst affected areas so far are southern, south-west and north-west England, where drought orders are in force. So far a dozen drought orders have been process 11 more are being assessed and a ferther 12 applications to the Environment

Department are expected.

From August 1, Southern

Water, probably the worst affected, has been granted a special drought order giving it powers to stop watering of parks, gardens and golf courses, car washing and filling of swimming pools.

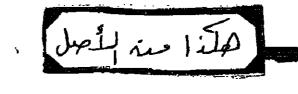
The affected areas are the Sussex coastal strip from . Littlehampton to Peacehaven. including Worthing, Bove,

Medway towns and the Thanet area in Kent. Similar orders are being sought by the South West and Welsh authorities. About 7m people are affected by hosepipe hans in the south west and Wales and by partial bans in the uthern, Severn Trent and

Brighton and Lewes, the

The drought picture is not all grim, however. No significant shortage is reported by Anglian, Wessex, Northumbrian, and Yorkshire water authorities, but consumers are being asked

to exercise common sense. As the Water Authorities Association points out, one garden sprinkler uses as much water in an hour as an average family of four uses in 24 hours. With consumption like that, no reserves would be adequate for long.



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حيكنا من الاجل

Where personality can be a fatal handicap

By Michael Dixon

38.4 2.3

27.8

suffering from marked inter-

personal stress, covered by

Some 10 years later the researchers checked how many of each personality

type in both samples had died from which kind of cause - cancer, coronary

the table's bottom half.

don't they?

47.9

92.7

JOBS

"I'VE just done a personality test," the Jobs column announced as it entered the cage set apart for smokers in the FT's new building. For a while the other

social pariahs gathered there went on puffing at their weeds, saying nothing. But one of them eventually asked what the test had revealed. "That I'm indolent, and smug with it," I replied.

Whereupon the only other journalist present remarked:
"Amazingly accurate, these
personality tests." Then he
upped and left before I could

get at him.

Which is a pity, because I was about to tell him that the same two attributes seem to be shared by journalists in general. Certainly, all the others so far put through the Eysenck Personality Profiler by the Psycorp consultancy in London are also more than averagely inactive, and well larded with self-esteem.

But my object in taking the test was more serious than digging up dirt on mere journalists. For there is evidence that personality can make a life-or-death difference to many people — 20 per cent of us, in the view of psychologist Hans Eysenck, Emeritus Professor of London University, and his colleague Ronald Grossarth-Maticek.

In a research paper recently published in the United States, they discuss several studies of links between personality factors and cancer and coronary heart disease. They report that the factors connected with each of the two killers are mostly different.

to be over co-operative, appeasing, unassertive, over patient, conflict-avoiding and compliant with external authorities, and to suppress emotions such as anxiety and anger. Those prone to coronary heart problems tend to show an exaggerated

other people - or in other

*Journal of Social, Political

PERSONAL MAKE-UP, STRESS AND SURVIVAL

C-prone

109

188

165

art troubles (H-prone). The

The same exercise was

Sources Journal of Societ, Political and Mooney

Cancer-prone people tend

response to anger, coupled with strong feelings of hostility and aggression.

What is thought to account for the links is, not the table above, which shows results from studies made by researchers in Heidelberg.

They began with about 850 ordinary folk, who are covered by the top half of the table. On the basis of personality tests, they were divided into four groups. The account for the links is, not the personality factors in themselves, but their effect in making people vulnerable to stress. And one factor which the cancer-prone tend to share with those prone to coronary heart problems is difficulty in coping with strains imposed on them by other people — or in other first two were those thought to be susceptible to cancer (C-prone) or to coronary remaining two sets were people who did not show the factors associated with those two diseases, but differed in words, inter-personal stress.

Examples of the links that have been found are given in

and Economic Studies (US), Spring 1989, Vol 14, no 1; pp 25-47. then repeated with a further sample of over 1,000 people who had been identified as amount of smoking might be wholly or in part responsible for these differences, but this is not so. We have analyzed these relationships in detail... and have found that personality is something like six times as important as these factors taken together." these factors taken together."
My own first reaction to

about the implications for careers. After all, since there are also links between people's personalities and the work they take up, there might be some jobs which seem to call for either the cancer- or coronary-prone characteristics. So I went along to Hans Eysenck's office and asked him.

He said he doubted there was a relationship as simple as that. For one thing, the stresses as well as the personality traits associated with a job often depend less on the work involved than on the specific organisational conditions in which it's done.

heart disease (abbreviated to "Heart" in the table), or something else. The results But he thought that, given the strength of the links, it would be wise for employers with staff working under pressure to offer them a test to see if they are in the make arresting reading. Other nicotine addicts, in particular, may be interested in a note which Professor cancer- and coronary-prone Eysenck and Dr Grossarth-Maticek add to the figures: 20 per cent of the populace. "If they are," he added. "It might be thought that perhaps such factors as blood pressure, cholesterol, or "we've reason to believe their chances of staying healthy can be significantly

improved by 'coaching' them out of the kinds of behaviour that seem to make them stress-vulnerable.

For instance, although people who bottle up their anger may never get it out of their system as freely as those who do so habitually, they can become better at it. Think of tennis: even though people have no natural talent for it, with good coaching they can usually become competent players."

It was with those words in mind that having nabody

mind that, having nobody else to hand to act as guinea pig, the Jobs column went to the Psycorp offices on the Thames Embankment. And as was said before, the Eysenck Personality Profiler showed it as little different from its fellow hacks except in a few ways, such as being

less anxious. Nevertheless the bill of health is not impeccable. One or two bits of the profile set Psycorp's chief Lenny Kristal rubbing his jaw. Examples are tendencies to be more submissive than assertive and more appeasing than aggressive, which are among the cancer-prone signs.

So Dr Kristal advised that as soon as he has got the appropriate stress test on his computer, I ought to take it. Which I will - and report on the outcome in due course.

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Reference: 3056/1

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Reference: 3056/2

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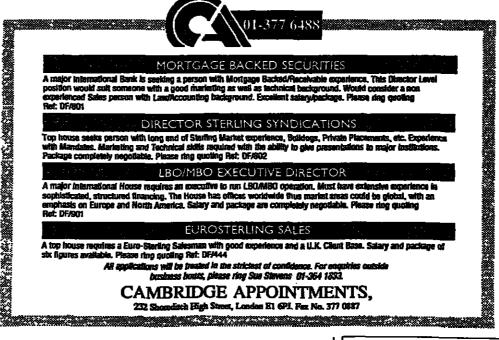
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FINANCIAL TIMES WEDNESDAY JULY 26 1989

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Sugar contract is not repudiated

COMPAGNIE COMMERCIALE SUCRES ET DENREES V C CZARNIKOW LTD Court of Appeal (Lord Justice Kerr, Lord Justice Lloyd and Lord Justice Builer-Sloss): July 13 1989

A SKILER'S obligation under an Lo.b. contract to deliver cargo for loading within the specified period is not altered by incorporation of a term that he shall "have the cargo ready to be delivered to the buyers at any time within the contract period," and does not thereby become a duty to deliver immediately on buyers' presentation of the vessel. And, in the absence of contractual indicates to the contractual indicates to the contractual indicates. tual indication to the contrary, failure to perform the incorpo-rated term is not breach of condition constituting repudiation, in that the term's wording is too imprecise to create a condition, whether in the form of a time clause or otherwise.

The Court of Appeal so held (Lord Justice Kerr dissenting) when dismissing an appeal by claimant buyers, C Czarnikow Ltd, from Mr Justice Gate house's decision that the sellers, Compagnie Commerciale Sucres et Denrees, were not in breach of condition under a contract for the sale of sugar.

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LORD JUSTICE KERR dissenting, said that by a contract on the ASSUC Sugar Contract 2 form for REC f.o.b. (free on board) stowed trade 1984, the sellers agreed to deliver "to one or more vessels presenting ready to load during May/June

The contract was a standard form of sugar contract used in string transactions. It incorporated the Rules of the Refined Sugar Association of London. Rule 14(1) of the Rules pro vided that in cases of f.o.b.

stowed contracts, "the seller shall have the sugar ready to be delivered to the buyer at any time within the contract

The Naxos presented itself ready for loading on May 29. The cargo was not ready for

That was still the position on June 3. The buyers then claimed the right to treat the contract as repudiated. They

bought a replacement cargo.

The sellers contended they had until the end of the delivery period (May/June) to er and that the contract was not validly terminated on June 3. The buyers claimed the difference between the contract price and the market price on June 3. The case was submitted to the London Sugar

The arbitrators held that the sellers were in breach of a condition of the contract, and that the buyers were entitled to treat it as at an end. Their decision was reversed on appeal by Mr Justice Gate-house. The buyers now appealed. The first issue was whether rule 14(1) was no more than a general statement of the sellers' position at Common Law, or whether it cast some additional express obligation

on the sellers.
In Italyrani [1986] 1 Lloyd's Rep 112 the Court of Appeal rejected the proposition that in Lo.b. contracts generally there was an implied obligation on sellers to have contractual goods "ready for delivery on call" within the contractual

delivery period. In the present case rule 14(1) provided the express term which was absent in *Italgrani*. The effect was to impose on the sellers an express additional obligation of which they

were in breach by June 3. The second issue was whether that obligation was a condition, or was a term breach of which sounded merely in damages.
It was a condition. It played

a crucial role in the form of contract. It had the character of a time clause. The obligation arose at a definitive point of time, which became fixed as the result of the parties' joint actions pursuant to the contract. There was no demonstra-ble error of law or misdirection in the arbitrators' reasoning. It would not be right to reverse

LORD JUSTICE LLOYD said that the issue was whether the buyers were entitled to treat the contract as at an end on

The contract called for delivery Lo.b. May/June. There was no finding in the award that the sellers were not able and willing to deliver by the end of June. If it were a classic f.o.b. contract, without incorporation of any special rules, the position was clear. The buyers had jumped too soon. The buyers said it was not a

was changed by incorporation of rule 14(1).

They said the effect of rule 14(1) was that the sellers were in default on May 29, and were

also in breach of condition.

classic f.o.b. contract, in that it

to have "the sugar ready to be delivered at any time within the contract period."

Almost every word of that phrase had been the subject of argument. Its meaning was far from definite First, what was meant by "the sugar?" The judge held it meant the whole contract

quantity. Mr Johnson for the buyers said it meant the narticular parcel of sugar called forward by the buyers. Another possibility was that it meant the quantity needed to start loading. Next, what was meant by

Next, what was meant by "ready to be delivered?" Delivery f.o.b. took place when goods were loaded on board. Nobody suggested "ready to be delivered" meant ready on the quayside. If it did not have to ready on the quayside, how near did it have to be? How ready was ready? ready was ready? Lastly, what was meant by "at any time within the con-tract period?" Did it mean at

ncement of shipment period; or at expected readiness date; or when the vessel gave notice of readiness; or when she berthed? No doubt workable answers

could be given. But the vague-ness of the language, and the imprecision of the obligation, hardly encouraged the belief that the parties intended compliance with rule 14(1) to be a condition of the contract. Mr Johnson argued that rule 14(1) was a time-clause, and

that time clauses in commercial contracts usually had the force of a condition. Rule 14(1) was not a time clause, except in the sense that every obligation in a contract had to be performed at some time or another.

There was no reference to the precise time by which the obligation had to be performed. The obligation was to have the cargo ready at "any" time within the contract period not. for example, at the expiry of notice of readiness. Nor were there any peremptory words such as "promptly," "immedi-ately," or even "without delay." There were no other indications that the rule was intended to be a condition. It was not framed as a condition. Nor was performance of any of the buyers' obligations dependent on the sellers' prior per-formance of the rule 14(1) obli-

The award showed the case might have been argued on an incorrect basis. The arbitrators

The rule 14(1) obligation was said "the question comes down to whether the sellers' failure was a breach of condition . . . or merely a breach of . . . contract sounding only in damages." It appeared they were asked to choose between a condition and a warranty. If so, they were presented with a false antithesis. They failed to take account of the "intermedi-

> The intermediate term, as was now well-established (see Bremer Handel [1978] 2 Lloyd's Rep 109,113), was neither a condition nor a warranty. It was treated as one or the other according to the gravity of the consequences of the particular breach. That was how the term should be categorised in the

present case. There was no sellers' obligation to load as soon as the ves-sel arrived. If that was what the buyers wanted they must make their meaning clear -much clearer than rule 14(1). The judge reached the cor-rect conclusion on that issue.

The other argument accepte by the judge was that the rule did not add anything to the ordinary obligation of a seller under a classic Lo.b. contract. Mr Johnson argued that rule 14(1) must impose an additional obligation, otherwise the obligation could not have been rejected as an implied term in Italgrani. That argument was fallacious. If in Italgrani the Court of Appeal had construed "ready for delivery on call" in the context of an Lo.b. contract, the present court would have been bound by its deci-sion. But it did not construe there. The Court of Appeal assumed a construction, and then rejected it as an implied term, which was a very different thing. There was nothing in *Italgrani* which decided that "ready for delivery on call" added anything to the ordinary obligation of the seller under

Rule 14(1) did not add or subtract from the parties' rights under an ordinary Lo.b. con-

The appeal was dismissed.

Lord Justice Butler-Sloss
agreed with Lord Justice For the sellers: Martin Moore

Bick QC (Richards Butler). For the buyers: David Johnson QC and Duncan Matthews (William A Crumn).

Rachel Davies

COMPANY NOTICES



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Peceipt of and action on nomination of the Directors, and the Auditors; Miscellaneous. The theretolders are advised that no quorum is required for the flores of the agenda of the Annual General Meeting

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THE ROARD OF DIRECTORS

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> 15th September 1989

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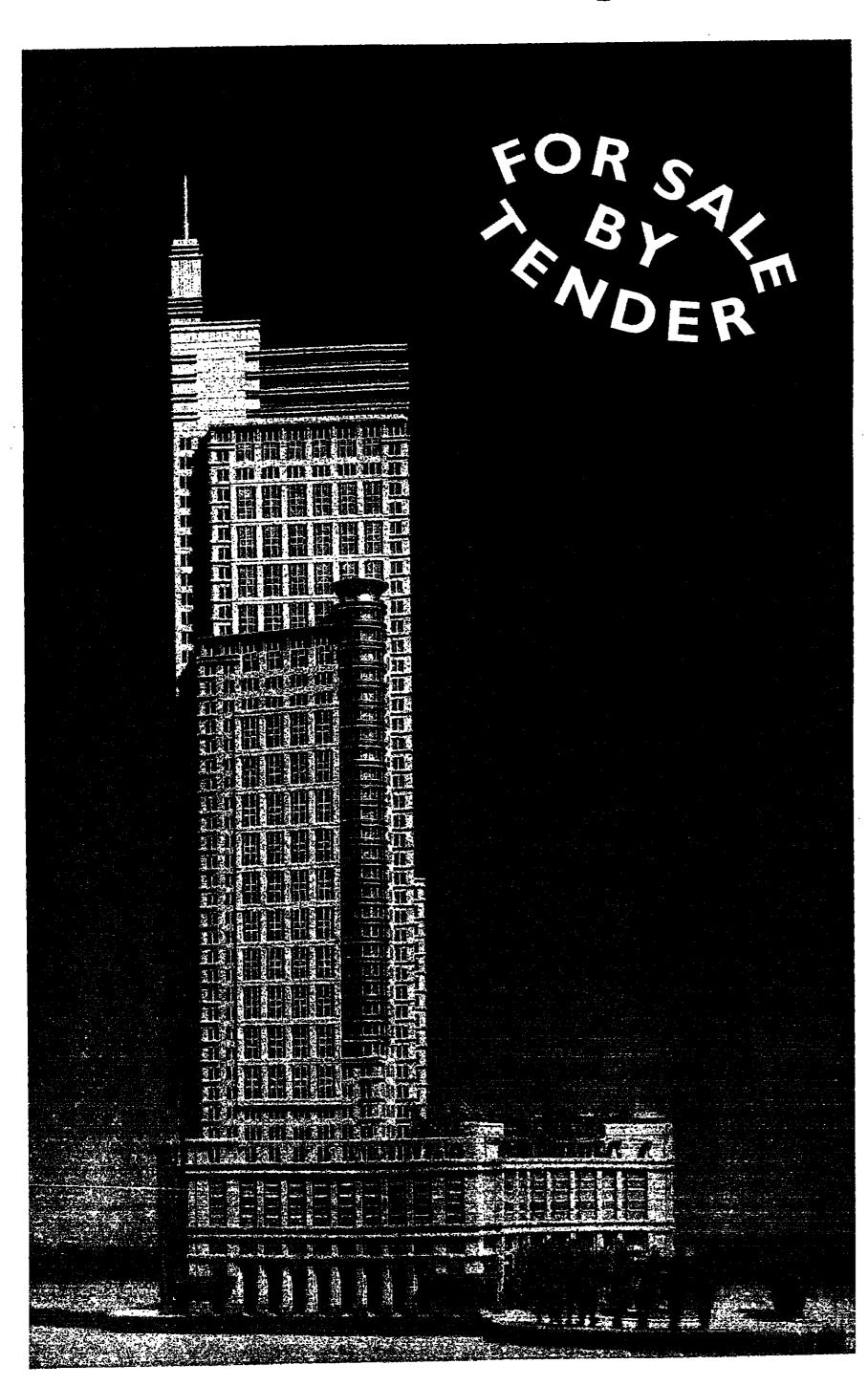
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MANAGEMENT

Burger King

A head-on challenge to a deep malaise

A culture change is at the heart of Barry Gibbons' strategy to put the US fast food company on a recovery path, reports Roderick Oram

modernistic pink palace. the new international head-quarters of Burger King, sits magnificently in a reclaimed mangrove swamp south of Miami, a bun's throw from the

Upstairs in the sunny and restful cafeteria, employees lunch on a wide spread of food from salads to health food entrées and frozen yoghurt. But where are the burgers, fries and

The dining room, open for a year, is only now sprouting its own mini-Burger King. "It's been a long time but they've finally got it together," says the lady behind the counter.

While management of the world's

second largest fast food chain fidsecond largest last look chain in-died, the Burger King empire sank, helping turn Pillsbury, its parent, into a takeover target. After a short listless fight, Pillsbury succombed last winter to a \$5.80n offer from Grand Metropolitan, the UK drinks

and foods group.
Grand Met argued during the batthe that customers much preferred Burger King's hamburgers to those at McDonald's, the apparently unas-sallable fast food leader with double

West tunit

ENDER

Burger King's market share. Trouble was, customers never knew quite what they would get when they walked into a Burger King restaurant. The chain had gained an unenviable reputation for inconsistent quality and poor management. Grand Met said it could fix those and make Burger King a large and highly profitable addition to its global food and drinks portfolio.

sonal food and drinks portfolio.

Some competitors and analysts doubt, though, whether Burger King can be turned round, so deep is its malaise. Failure would ruin Grand Met's chances of a big pay-off from the Pillsbury purchase, damage its finances and credibility and chalk up another failure by a British company in the IIS consumer sector. pany in the US consumer sector.

Grand Met gave the considerable Burger King challenge to Barry Gib-bons, a 43-year-old from Manchester who had restored to profits its Berni restaurants in the UK. He had never worked in the US until he arrived at Burger King in January.

Do you have to be an American to know how to sell a hamburger? "Effective retailing is a culture with people and service the biggest part of the brand and the hamburger itself only a very small part," he



Barry Gibbons: "By the fall of this year, this organisation should be

lys seven months into the job. He believes he knows how to change the culture from which everything else

You cannot improve quality, for example, through the more rigorous policing of 5,900 restaurants and 250,000 employees worldwide. There are just too many and a resentful backlash is certain. Better to give employees and franchisees the desire, support and incentives to meet higher standards, he argues.

Armed with the theory, he arrived to find trouble at the pink palace. The culture was wrong for the business - "attitudinally they were not geared to take risks" - and morale was very low. "Burger King's physi-cal problems were wildly overstated. No more than 10 per cent of the restaurants were poor but the spiritual ones were much deeper. I sus-pect they had believed all the drivel that'd been written about them."

The extrovert Gibbons tackled the malaise head on, calling an all-employee meeting to rally the troops. At the end of his first week, he sat by a swimming pool and rattled off a pair of essays about his managem philosophy and how he would apply

it at Burger King.

The effect was electrifying on the dispirited staff at Burger King. Bootleg copies flowed by fax up to Pillsbury's Minneapolis headquarters. Staff there say they read them avidly to help assuage the uncer-

tainty they felt in the wake of the

takeover.

"All that leaders can do is create
the air in the greenhouse," Gibbons
says. "There's tremendous energy here when they breathe the right air." Employees and franchisees have responded rapidly in the past five months. "The system is starting to believe in itself again."

Underpinning the pep talks are major changes to the way Burger King manages itself, relates to franchisees and presents itself to the public. "By the fall of this year, this organisation should be motoring

Pillsbury has reconstituted Burger King as a stand alone company with Gibbons reporting to Ian Martin, its new Scottlah chief executive. The personal and business relationship between the two men should cut out the Miami Vice/Minneapolis Ice friction that plagued previous managements. Gibbons is Burger King's fifth chief executive since 1980.

Gibbons completely redrew Burger King's corporate structure, haiving the layers of staff between him and the consumer. "Our customer response has to be fast, fast, fast." Nearly 600 of 1,600 Burger King corporate employees - mostly in the regions - lost their jobs, in order to concentrate resources in Miami.

We don't have a lot of surplus office space here, just lots of surplus lakes," he says of the pink palace and its grounds. "There are some parts of this place I'll never be able to justify but the workstations are Not only did he retain some expe-

rienced senior executives, such as Ron Petty who was made president and chief operating officer after long experience at home and abroad, Gibbons also brought in new talent. The previous management had tried but the big salaries necessary to lure them were vetoed by the Pillsbury executives in Minneapolis. Gibbons' best catch was Gary Langstaff, the new head of marketing, who made his reputation promoting Hardee's, a fast-rising US hamburger chain.

Burger King certainly needs to restore street credibility after a series of ill-conceived and execute advertising campaigns in recent years featuring such embarrassing characters as Herb the Nerd. Many campaigns petered out early, plagued by a poor public response



Burger King aims for a more integrated approach to marketing

and badly co-ordinated supply of promotional items to restaurants.

The company has been bold in splitting its advertising, giving D'Arcy Masius Benton & Bowles the task of creating a new identity and Saatchi & Saatchi the role of translating it into day-to-day advertising and promotions.

"We want a holistic and integrated approach to marketing. Too often the industry just pushes new ideas," Gibbons says. "We want to distin-guish the brand and support it over a long time with the products and merchandising.

Annual advertising expenditure is static - at about \$215m - since the money is raised mostly from franchi-sees on a strict formula. It is a fraction of the money McDonald's spends "but that doesn't bother me. We have a phenomenal sum which we need to spend more effectively.' He plans, for example, to draw more heavily on co-promotions with sup-pliers such as PepsiCo.

To help win back customers, Burger King is striving to co-ordinate better "brand development" through a four-man team with a senior representative from marketing, technical, operational and supply functions. Its mission is to develop new menu items the public wants and then ensure they are properly supplied to the restaurants, served to the public

Also on the operations side, Burger King has kept Distron, its troubled distribution system which Grand Met had originally planned to sell. Gibbons believes it better "not to abdicate to a third party. There are not many sustainable competitive advantages; purchasing and dis-tribution are two of them."

More than a low-cost buying service is needed to win back the disenchanted among the franchisees. Gib-bons believes that giving them strong products, marketing and support is the best strategy. Armed with these tools, a franchisee will be able to make a bigger return on his investment and thus be happier and

more highly motivated.

"I'm working on the basis that nobody wants to run a bad restaurant. If at the end of the day someone is not motivated, or has no interest in the brand or is bloody-minded. then we'll have a staring contest and Grand Met never blinks."

Burger King will continue to take the ultimate step of buying out chronically under-performing fran-chisees, either itself or letting a good franchisee do so. Such a move would also increase the number of company-owned stores from around 800, some 15 per cent of the US total. One key technique the new team will use to bring restaurants up to

standard is a "mystery shopper" pro-gramme. Acting on reports from incognito inspectors in the field, the company will quickly alert restaurant managers and franchisees to problems. But again, the approach will be to encourage, not chastise. Information will also come from customers calling in on toll-free telephone numbers.

More crucially, Gibbons has to hook the franchisees if he is to turn his vision of a revitalised Burger King into reality. They were close to mutiny under the old management, particularly after Pillsbury talked of spinning off Burger King as a fence against Grand Met. For the first three months in Miami he overhauled the organisa-

year" from just over \$1m now.
"That's the signal that things are
moving and alive." The long term prospects for Burger King and Grand Met are huge, he believes. There are only three concepts and six to eight brands for truly global consumer businesses. We've got one of the concepts and one of the brands."

SOCIETE

"SONATRAD"

tion. "What we've done would nor-

mally take 18 months, an outside consultant told us. Then he and his

new team set out on a series of

regional meetings with franchisees.
Some points were hard to sell,

such as the elimination of a number

of support services - such as archi-tectural help - offered by the much

slimmed regional organisation. The money saved will be better spent on

Believe in yourself and Burger King was his basic pitch to the fran-chisees. By all accounts he whipped up considerable enthusiasm from people tired of the constant carping.

"He helped us feel good about our-selves again," says one. The gather-ing was like a revival meeting.

"I was very impressed with their considerable professionalism," adds another. "They've taken some hard decisions which should have been

taken a long time ago."

But, he adds, Burger King had charismatic leaders before who

failed to deliver the goods. He and other franchisees want to see if Gib-

bons and his team can make the

changes work, increase employee

commitment to quality and convince the public that Burger King has

licked its problems. Success can be

measured simply, Gibbons says. "My goal is to move average sales per

restaurant to about \$1.2m or \$1.3m a

core functions, Gibbons argues.

Management abstracts

1982:The cant dispelled. M. van Mesdag in Industrial Marketing Digest (UE), Vol 13 No 4

88 (7 pages).
Objects to implications in "1992" articles that there will then be a "single market"; refers to almost 4,000 differ-ences (not listing them) between the member countries that will remain; mentions and appraises three alternative marketing strategies that could

The internationalisation of importing companies. J Reichel in European Journal of Marketing (UK), Vol 22 No 10, (10 pages)
Based on Swedish research,

discusses how foodstuff import-ers choose their international ers choose their international sources of supply, discounting social, cultural, economic. political, legal, technical and geographical factors as largely irrelevant to the buying decision; concentrates instead on five factors, including the more than involved involved. workload involved, product price and expected changes, knowledge/experience of the region, transport feasibility, and volume. Analyses two internationalisation strategies
- evolutionary, which seeks out new countries as supply sources, and incremental, in which new sources in the same geographical and cultural envi-ronment are added to existing

Telecom pros evolve. S. Kerr in Datamation (US), Jan 15 1989 (2

pages). Uses anecdotal evidence to show why telecommunications experts are evolving from the computer department and not from telecommunications operations, noting that programming skills are increas-ingly vital to the role. Looks at various telecommunications occupations by charting salary

Sales Letters. L. Brock in Direct Marketing (US), Nov 88 (I page).
Believes that the sales letter

in direct mail is often merely seen as a covering letter for catalogues or brochures; con-tends that it is, in fact, the very heart of the mailing being the first thing to be seen; states that it gives the opportu-nity to highlight a product's benefits; describes an interesting test to see if the letter is up

These abstracts are condensed from the abstracting journals published by Anhar Management Publications. Licensed capies of the original articles may be obtained at a cost of Et each (including VAT and p+p; cosh with order) from Anhar, PO Box 22, Wembley HAS SOL.

CONTRACTS & TENDERS

AVIS D'APPEL D'OFFRES REPUBLIQUE DU ZAIRE DEPARTMENT DU COMMERCE EXTERIEUR. SOCIETE NATIONAL DE TRADING "S O N O T R A D" APPEL D'OFFRES INTERNATIONAL N° DCO/DCA/SN 196/38 POUR LA FOURNITURE DU MATERIEL DE VOIE

La Société Nationale de Trading - SONATRAD - met es adjudication publique la fourniture 6.500 touses de ruil et accessoires destinés à la Société Nationale des Caemins de Fer Zaiross (S.N.C.Z.).

Cette deretére a demandé à la BAD (Banque Africaine de Dévelopement) un prêt e de financer une partie des travaux de renouvellement de vois inscrits au d'inventissement 1989-1992 de la S.N.C.Z. Les sommes accordées su titre de co pett acront militées notamment pour effectuer les paiements autorisés dans le codre du marché pour lequel le puisent appel d'offres est lancé.

DESCRIPTION DES FOURNITURES

Poste 1 : 6.500 Tounes de raits 40 Kgs. Poste 2 : 1.500 Paires d'éclisses Poste 3 : 6.000 Boulens d'éclisses Poste 4 : 6.000 Rondelles élastiques

La SONATRAD sélectionnera l'offre la pius avantageuse de lot. RETRAIT DU DOSSIER D'APPEL D'OFFRES

Le domicr complet d'appel d'effires peut être obteux contre remise d'un chique baret d'un pontent de 100.000 Zaires on 10.000 Franct Belges, à purir du 14.07.1989 aux adresses

TELEFAX: 30.592 REPUBLIQUE DU ZAIRE

2. SOCIETE NATIONALE DE TRADING - "SONATRAD" AGENCE DE BRUXELLES 13. RUE DE LA LOI, BOTTE 052 B-1040 BRUXELLES TELEPHONE : 02/230.37.97 TELEX : 36444 TELEY AX : 02/230.47.62

3. SOCIETE NATIONALE DE TRADING - "SONATRAD" AGENCE DE LUBUMBASHI 225, AVENUE MSTRI B.P. 1573 - LUBUMBASHI TELEPHONE : 22 S3 71 - 22 S2 49 REPUBLIQUE DU ZAIRE

La participation à la concurrence est ouverte à égalité de conditions à tout fabr ressortisant des pays membres de la BAD et des pays participant au FAD.

S. REMISE ET OUVERTURE DES OFFRES

SOCIETE NATIONALE DE TRADING - "SONATRAD" BUILDING C.C.LZ. - 22: NIVEAU B.P. 13.711 - KINSHASAN TELEPHONE : 30.592 - 30.593 - 32.304 TELEX : 21634 REPUBLIQUE DU ZAIRE

evant le 14.09,1989 à 10 heures locales, date et heure auquelles il sera procèdé à l'eu des offres en le selle de réunion du Zikaivean Building C.C.L.Z.

LEGAL NOTICES

DELLER CONSTRUCTION LIMITED Registered number: 208008
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Meture of husbross: Builders
Trade classification: 3
Date of appointment of administrative receivers: 10th July 1988
Name of person appointing the administra BRIAN MILLS and COLIN GEORGE WISE-MARK John Administrative Receivers (office holder no's) 2300 & 8172 ot. CORPORATE SECURITY

The Pinnerial Times proposes to publish the proposes to publish OCTOBER 3RD 1989

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FINANCIAL TIMES

AVIS D'APPEL D'OFFRES REPUBILQUE DU ZAIRE SOCIETE NATIONALE DE TRADING DEPARTEMENT DU COMMERCE "SONATRAD" EXTERIEUR.

APPEL D'OFFRES INTERNATINAL No DCO/DCA/

SN 096/88 POUR LA FOURNITURE DU MATERIEL DE VOIE

La Société Nationale de Trading - SONATRAD - met en adjudication publique la fourniture d'un lot de base de 150.000 traverses en béton armé type bibliot et la fourniture ventuelle d'un lot d'option de 120.000 travèrses de même type destinées à la SOCIETE NATIONALE DES CHEMINS DE FER ZAIROIS (S.N.C.Z.).

Cette dernière a demande a la BAD (Banque Africine de Dévelopement) un prêt en vue de financer une partie des travaux de revouvellement de voie inscritu au plan d'investissement 1989 - 1992 de la S.N.C.Z. Les sommes accordées au titre de ce prêt seront utilisées notamment pour effectuer les paiements autorisée deux le cadre du marché pour lequel le présent anné d'offres est lamé.

DESCRIPTION DES FOURNITURES. Le présent d'offres porte sur le fournisser POR gare de chargement sur site de production d'un lot de base et éventuellement d'un lot d'option des

- lot de base : ISO.000 traverses en béton biblioc - lot d'option : 120: 000 traverses e béton biblioc

Tout candidat est tenu de soumissionner d'une part, pour le lot de base et d'autre part, pour l'ensemble des 2 lots, celui de base et celui en option. La SONATRAD sélectionnera l'offre la plus avantageuse du lot.

RETRAIT DU DOSSIER D'APPEL D'OFFRES Le dossier complet d'appel d'offres pest être obtenn contre remise d'un chèque barré d'un montant de 100.000,00 zaires ou 10.000 francs belges, à partir du 29 juin 1989 aux addresses suivantes :

SOCIETE NATIONALE DE TRADING - "SONATRAD" BUILDING C.C.LZ. - 22÷ NIVEAU B.P. 15.711 - KINSHASA/I TELEPHONE : 30.592 - 30.598 - 32.304 TELEX : 21634 TELEFAX : 30.592 REPUBLIQUE DU ZAIRE

SOCIETE NATIONALE DE TRADING - "SONATRAD" AGENCE DE BRUXELLES 15, RUE DE LA LOI, BOITE 052 B-1040 BRUXELLES TELEPHONE: 02/230.37.97 TELEX: 26444 TELEFAX: 02/230.47.62

SOCIETE NATIONALE DE TRADING - "SONATRAD" AGENCE DE LUBUMASHI 225, AVENUE MSTRI B.P. 1573 - LUBUMBASHI TELEPHONE : 22 53 71 - 22 5 REPUBLIQUE DU ZAIRE

La participation à la concurrence est ouverte à egalite de conditions à tout fournisseur ressortiseant des pays membres de la BAD et des pays participant au FAD. participant au FAD.

Toutefois une préférence nationale sera accordée aux entreprises astionales. A ce titre une marge préférentielle de 15% sera accordée aux produits mammineturés locaux.

5. REMISE ET OUVERTURE DES OFFRES Let offres seront remises sons double enveloppe racherie, par envoi postal recommende ou par porteur centre accusé de réception, à

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avant le 29 soût 1989 è 10 heures locales, date et heure auxquelles il sera procédé à l'ouverture des offices en la salle de réunion du 22è niveau Building C.C.J.Z.

REPUBLIQUE DU ZAIRE NATIONALE

DEPARTMENT DU COMMERCE TRADING

EXTERIEUR

APPEL D'OFFRES INTERNATIONAL No DCO/DCA/T.057/88 POUR LA FOURNITURE DU MATERIEL DE BUREAU

La Société Nationale de Trading "SONATRAD" met en adjudication publique la fourniture du matériel de bureau destiné à l'OFFICE NATIONAL DES TRANSPORTS "ONATRA". Ce deruier a obtenu de la Banque Mondiale un crédit en vue de financer son projet de modernisation.

Les sommes accordées au titre de ce crédit seront utilisées notamment pour effectuer les paiements autorisés dans le cadre du marché pour lequel le présent appel d'offres est lancé.

2. DESCRIPTION DES FOURNITURES.

Le présent appel d'offres porte sur la fourniture d'équipements répartis en un lot unique : 16 micro-ordinateurs.

3. INDIVISIBILITE DU LOT.

Le lot est indivisible. Tout candidat est tenu de soumist l'ensemble du lot.

La SONATRAD sélectionners l'offre la plus avantageuse pour le lot. 4. RETRAIT DU DOSSIER D'APPEL D'OFFRES.

Le dossier complet d'appel d'offres peut être obtenu contre remise d'un cheque barre d'un montant de 70.000 Zaires ou 7,000 Francs Belges, à partir du 20.6.89 aux adresses suivantes :

SOCIETE NATIONALE DE TRADING "SONATRAD" Building C.C.I.Z. - 22e niveau - B.P. 15.711 - KINSHASA/I Tél.: 30.592 - 30.595 - 32.304 - Tezlex : 21.634 -Telefax : 30.592 (République du Zaîre) 2. SOCIETE NATIONALE DE TRADING "SONATRAD" Agence de Bruxelles - 15, rue de la Loi, Bte 052 -B - 1040 Bruxelles - Tel. 230.37.97 - Telex : 26.444 -

Telefax: 230.47.62 (Belgique) SOCIETE NATIONALE DE TRADING "SONATRAD" Agence de Lubumbashi - 25, avenue Msiri - B.P. 1573 -Lubumbashi - Tel. : 22-53.71 - 22-52-49 (République du Zaira)

5. PARTICIPATION.

La participation à la concurrence est ouverte à égalité de conditions à tout fournisseur ressortissant des pays membres de la Banque Mondiale, de la suisse et de Taiwan (Chine).

6. REMISE ET OUVERTURE DES OFFRES.

Les offres seront remises sous double enveloppe cachetée, par envoi postal recommande ou par porteur contre accusé de réception, à : SOCIETE NATIONALE DE TRADÈNG "SONATRAD" Building C.C.I.Z. - 22e niveau - B.P. 15.711 - KINSHASA/I Tél. : 30.592 - 30.598 - 32.304 - Télex : 21.634 - Telefux : 30.592 (République du Zaire), avant le 21.08.89 à 10 heures locales, date et heure auxquelles il sera procédé à l'ouverture des offres en la salle de réunion du 22e niveau Building C.C.I.Z.

Conformément au point II.17 du dossier d'appel d'offres, le soumissionaire présentera obligatoirement son offre de la manière ci-apres:
-l'offre complète (partie technique et commerciale) en 2 exemplaires
dont l'original et l'copie;
- 1 partie de l'offre exclusivement technique et sans indication de prix
en l'seul exemplaire.

"LA SOCIETE NATIONALE DE TRADING"
"SONATRAD"

AVIS D'APPEL D'OFFRES

REPUBLIQUE DU ZAIRE SOCIETE NATIONALE DE DEPARTEMENT DU COMMERCE "SONATRA

APPEL D'OFFRES INTERNATIONAL NO DCO/ DCA/SN 097/88

POUR LA FOURNITURE DU MATERIEL DE VOIE

La Société Nationale de Trading - SONATRAD - met en adjudication publique la fourniture d'un lot de base de 120.000 traverses métalliques et la fourniture éventuelle d'un lot d'option de 120.000 traverses de même type destinées à la SOCIETE NATIONALE DES CHEMINS DE FER ZAIROIS (S.N.C.Z.).

Cette dernière a demandé à la BAD (Banque Africaine de Dévelopement) un prêt en vue de financer une partie des travaux de renouvellement de voie inscrits au plan d'invessement 1989 - 1992 de

Les sommes accordées au titre de ce prêt seront utilisées notamment pour effectuer les palements autorises dans le cadre du marché pour lequel le pressent appel d'offres est lancé. Le présent appel d'offres porte sur la fourniture CIF frontière Zairoise d'un lot de base et éventuellement d'un lot d'option des

 lot de base : 120.000 traverses métalliques
 lot d'option : 120.000 traverses métalliques Tout candidat est tenu de soumissionner d'une part, pour le lot de base et, d'autre part, pour l'ensemble des 2 lots, celui de base et celui en option.

La SONATRAD sélectionnera l'offre la plus avantagense du lot. RETRAIT DU DOSSIER D'APPEL D'OFFRES

Le dossier complet d'appel d'offres peut être obtenu contre remise d'un chéque burré d'un montant de 100.000 Zaires ou 10.000 Francs Beiges, à partir du 29 Juin 1989 aux addresses suivantes : 1. SOCIETE NATIONALE DE TRADING - "SONATRAD" BUILDING C.C.I.Z. - 22º NIVEAU B.P. 15.711 - KINSHASA/I TELEPHONE: 30.592 - 30.598 - 32.304 TELEX: 21634 TELEFAX: 30.592 REPUBLIQUE DU ZAIRE

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TECHNOLOGY

bout 50 metres below the Baltic sea bed lies what the Swedish operators describe as the world's first purpose-built, permanent, underground disposal site for nuclear waste.

The Swedish Final Repository is just off the coast at Forsmark, the site of three nuclear power stations and the place where fallout from the Chernobyl disaster was first identified outside the Soviet Union.

The repository has been operating for more than a year and has attracted world-wide attention. It is run by the Swedish Nuclear Fuel and Waste Management Company (SKB), which is owned by the country's four nuclear power producing utilities. The reactor owners are responsible for the total costs of guaranteeing both reactor safety and the efficient management of the radioactive waste.

The cost so far of the first phase of the project is SKr 750m (£70m), according to Sten Bjurstrom, SKB's president. Total building and operat-ing costs are estimated to be about SKr 1.4bn, two thirds of which are building costs. (This is equivalent to SKr 0.001/kWh out of a consumer price for electricity of between SKr

0.3 and 0.4/kWH at 1987 prices.)
Sweden takes complete responsibility for the management and disposal, within its borders and without reprocessing, of all radioactive wastes produced by its nuclear power programme. Following a refer-endum in which the majority voted against nuclear power, the Government decided to close all 12 plants by 2010. This means SKB can estimate reasonably accurately the amount of waste to be disposed of from the reactors' operation and

ecommissioning. In the first phase, the repository

Watery grave for Sweden's nuclear waste

Geoff Tansey describes a permanent site for radioactive debris

will take 60,000 cu m of waste. In the second phase, one or two extra vaults and a silo will be built to deal

with a further 30,000 cu m.
The site takes waste that will remain significantly radioactive for a few hundred years, but which does not require cooling. High-level waste, for example spent nuclear fuel, is long-lived, highly radioactive and very hot. This is sent to a cen-tral interim storage facility south of Stockholm, where it will be beld until a permanent facility is built.

Sweden's nuclear power stations are all close to the sea and wastes are taken to the disposal sites on the SKB's ship, the M/S Sigyn. Designed in Sweden but built in France, this is a twin-screw roll-on/roll-off ship with a double hull and bottom and several watertight bulkheads. It has two independent propulsion systems and three electricity generators, each capable of supplying the ship's needs, plus special shielding around

Before the voyage from reactor to repository, the waste is packaged for disposal. Low-level waste, such as

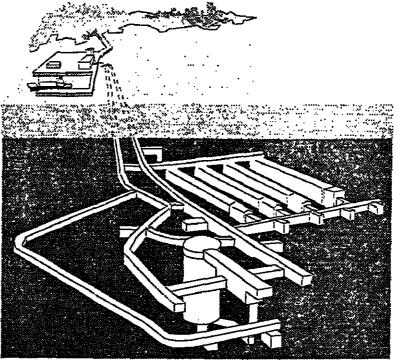
clothing, is compacted and packed into steel drums. These are transported in ordinary steel containers by ship or road to Forsmark.

Some low-level waste is incinerated at the Studsvik research station, which also collects radioactive debris from industrial and medical sources. The ash is mixed in concrete and locked in steel drums.

Intermediate waste, largely filter and ion exchange resins used to purify water from the reactor, is mixed with concrete or asphalt and bound in concrete or steel drums These are loaded into a special steel container, with an extension skirt on either side. This is carried by ship to Forsmark and then lifted on to a lorry, which takes the container

The site at Forsmark looks like something from the set of a James Bond film. Twin tunnels, about 1 km long, run from the surface down to four 160-metre-long vaults and a 50metre-high concrete silo.

The roof of the underground struc-tures is at least 50 m below the sea bed. One vault takes very low level



Forsmark phase one, designed to take 60,000 cu m of nuclear waste

waste which comes in ordinary containers, is handled by fork-lift trucks and requires no special shielding.

The other three take intermediate waste with relatively low activity. At the entrance to each is a chamber

where the containers are unloaded behind radiation shields. When the doors open and you

enter these vaults, the first thing that hits you is the smell - rotten fish. Nothing to worry about, according to Arthur Monsen, operations manager at the repository. He is reassuring about there being no radioactivity leaking out and stresses how carefully the containers and air are monitored.

Once the truck has deposited a container and been driven away, the doors close and laser sights fix the position of the container. This allows a computer-controlled crane to remove the lid and take the contents to a pre-allocated place in one of the pits. All the operations are handled from a control room in the underground cavern.

The waste packages in concrete

robots.

moulds and steel drums are grouted

with concrete during deposition or covered with concrete planks.

The more radioactive waste, mainly filter resins, goes to the 50metre high concrete silo, contained in a 30-metre-diameter, cylindrical cavern in the rock. The silo is divided into 96 vertical pits.

After a layer of waste packages has been placed in the pit, a layer of concrete is poured round it to fill up the spaces. This process will be repeated until the pit is full.

The facility is designed to prevent radioactive materials escaping into the environment in harmful quanti-ties after the site is sealed, the pumps switched off and the cavern

The rock itself is an important natural barrier. The silo, which contains about 90 per cent of the radioactivity at the repository, has the greatest number of engineered barriers, including a one-metre thick con-crete wall. The space between the concrete silo and the cavern has been filled with bentonite clay. which swells when wet. The base was back filled and the top will be covered to form an impermeable bar-

rier once the repository is flooded. Finally, the local sea and rock characteristics mean that there is a low rate of groundwater flow. Brackish water above the repository will discourage future generations from drilling wells in the area, even after the sea bed is exposed in 1,000 years or so as the land rises.

Speaking of the repository, Sten Bjurstrom says: "It has been described as the Rolls-Royce of waste disposal, but compared with the price of electricity it's just nothing and in relation to having a facility in operation that is looked on as being safe by the authorities and the people, I think it is not expensive."

robots of its own. From

series of feasibility studies of

the potential of various mar-

ket sectors for advanced

robots, commissioned by the

DTI in the mid-1980s, it has

identified three robotic systems which it believes will

One is an intelligent robot that could work in a hostile

environment, for example

amid high radioactivity. Another is a friendly robot

that will work alongside peo-

ple or other robots, for

instance to weld the hull of a

submerine. The third is an

advanced mobile platform for

The point of the robotics centre, says Ashworth, is not

whether it does good R&D, but how much of its R&D gets

picked up by British industry, and how quickly. "It's a mana-

robotic manipulators.

find a market.

Catalytic approach to burning natural gas

By Michael Swiss

AS A FUEL, natural gas offers several benefits, among them freedom from sulphur dioxide in the combustion products and a relatively low level of

carbon dioxide emission. However, the problem of Nox (nitrogen oxides) remains in the flue gases. These emissions can be reduced by lowering the combustion temperature, as achieved in catalytic burners developed by Gaz de France (GDF), the French gas supply

Catalytic devices for the combustion of other hydrocarbon gases - propane, butane or their commercial mixture have been marketed for several years, but methane presented considerable problems.

Natural gas has methane as its almost exclusive constitu-ent. GDF has developed catalytic burners for methane in the form of tubes which radiate heat without a flame. The catalyst, which is not expensive because only a small amount of platinum is needed is applied as a coat on a ceramic surface. To make all the heat available, the combustor includes a variety of recovery devices.

One of the devices developed by GDF's research centre involves the use of Carborun dum cones, which allow rapid gas flow rates and hence high combustion rates and high heat output. If located on a hot-house ceiling, the cones direct the hot gases downwards. The heat-retaining properties of carbon dioxide also prove useful to the growers.

In a device for paint drying, the flow of hot air is directed horizontally at the newly painted articles.

If the main requirement is for radiant heat, large non-focusing reflectors can be installed on a ceiling. The versatility of the devices

allows them to be used in equipment for the production of VMC-gas. (VMC stands for mechanically controlled ventilation.) Furnaces which operate in this manner, picking up extra moisture or reducing their vapour content according to seasonal requirements, can be incorporated in central heat-David Fishlock | ing systems.

A quest for the bright, co-operative robot

rvan Lindlev has landed Bryan Linuxy use the the kind of job that makes schoolboys droot. He has been asked to invent a new generation of robots. more intelligent and adventurous than today's robotic factory workers, one that could boldly go where no human

would want to. His target is the kind of robot bright enough to co-operate with other robots, or to work harmoniously with people because, as he says, "we're actually pretty clever at doing certain things." One idea is a robot that will mimic a surgeon's dexterity on a much smaller scale, enabling him or her to perform operations too fine for fingers.

Lindley is chief executive of the National Advanced Robotics Research Centre, set up by the Government and industry on the campus of Salford University, near Manchester, It expects to spend up to £50m over the next five years, of from the Government. The idea of the centre was

conceived by the Department of Trade and Industry in the mid-1980s, after the 1982 Fconomic Summit had identified edvanced robotics as an important technology for the future. Ten UK organisations competed to host the research centre, which was promised substantial government support for its first five years.

The successful bidder was a subsidiary of the university called Salford University Business Services. It proposed a limited company owned by a group of industrial shareholders to manage the centre, with the aim of making it commercially viable before the government assistance ran out. **Advanced Robotics Research** Limited (ARRL), which owns

the centre, was formed a year ago. It has 11 industrial shareholders and the freedom to

place contracts outside. Research started early this year and part of the scheme is that each shareholding company shall second a researcher to the centre, transferring both talent and corporate technology. The nominal value placed on this initial technology transfer is £70,000 apiece. It is a management experiment, a new way of tackling

the perennial British problem of technology transfer, says Professor John Ashworth, Salford's vice chancellor. "We sat round and said, if it's true that we're good at research but not good at development, it must be a statement about managerial competence. So it needed a managerial solution. Bryan Lindley, 56, is a

experience that includes designing an experiment in plasma physics in the 1960s. running a research association in the 1970s and directing R&D for two engineering groups, Dunlop and BICC, in

the 1980s.

At Dunlop, he was involved with advanced robotics through an £18m R&D investment in a process for making tyres "as a precision engineer-ing product." to a specific size, weight and distribution of the reinforcement. Dunlop's new owners (BTR) sold the process Lindley, hired in January,

has spent part of this year in Japan studying robotics. He found one with eyes and fingers that could read music and play the organ - "in a fairly soulless way." Another could

climb, spider-like, up the wall of a skyscraper.

He says that the Japanese are obsessed with putting anthropomorphic features. such as arms and legs, on their robots; as indeed are some of the more highly publicised estern "roboteers". He is convinced that there

are usually simpler ways of providing such functions as locomotion. He also thinks that there is little market potential for some popular concepts, such as robotic butlers and bed-makers. The goal of the centre, laid

down in its business plan, is to develop a family of engineering modules of advanced performance, that the shareholding companies will be able to use, Meccano-like, to assemble their own robotic systems.
"The whole thing is industry

driven," Lindley stresses. His shareholders include British Nuclear Fuels which needs robots that will work in a highly radioactive environment, VSEL which wants robots to help build nuclear submarines, and Taylor Hitec, which has only 200 people but is the leading British maker of

The idea is that the modules will be available quickly so that shareholders can incorporate them in their designs, giving for instance a higher level of intelligence or an extra degree of freedom, such as mobility for a pick-and-place robot. It has identified 10 of these modules for demonstration over the next four years. To add impetus to the development of the modules, the

centre will also design and

build several demonstrator

gerial experiment and we need a lot more of them."

TECHNOLOGY MARKET

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the technology marketing process, including patenting and product licensing – that's somebody clse's responsibility in another part of the company! Marketing is not a science. It is the creative process identifying the market need, through to the implementation of product strategies to meet that market need. Nothing very clever in that, but how many engineers and scientists address the

For lifteen years Strategy has been advising a number of blue chip industrial companies on the promononal aspects of the technology marketing process. If you would like to know more, please contact Paul Caudey or Steven Pollond on 01-480 5652.



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Aug. 25-Sep. 03	International Audio and Video Fair Berlin 1989 with
Aug. 30-Sep. 01	MediaForum Berlin 1989
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Sep. 27-Sep. 30	27th Overseas Import Fair "Partners for Progress" Berlin (Test Sales/Public Section until Oct. 01)
Oct 03-Oct 06	14th German Congress for Perinatal Medicine with specialist exhibition
Oct. 11-Oct. 13	SURTEC Berlin 1989 International Congress for Surface Technology with accompanying exhibition
Oct. 11-Oct. 14	būro-data Exhibition of the Office Industry Berlin '89
Oct. 11-Oct. 15	bautec berlin '89 Exhibition and Congress
Oct. 16-Cct. 18	43rd German Conference on Business Studies
Nov. 06-Nov. 12	BIGTECH Berlin '89 Forum for Advanced Technology
Nov. 22-Nov. 25	53rd Annual Meeting of the German Society for Accident Therapy
Nov. 25-Nov. 29	ANTIQUA'89 Berlin 18th Sales Exhibition for Arts and Antiques
Nov. 28—Nov. 30	6th International Recycling Congress 1989
1990	
Jan. 26-Feb. 04	International Green Week Berlin 1990 Exhibition for the Food Industry, Agriculture and Horticulture
Jan. 29-Feb. 01	XVith International Film Competition at the Green Week Berlin
Mar. 03-Mar. 08	ITB Berlin 1990 International Tourism Exchange
Apr. 01–Apr. 29	20th FBK Free Berlin Art Exhibition 1990
May 05-May 06	New Businesses Meeting Berlin 1990 Seminars and Exhibition
May 08—May 10	ShowTech Berlin '90 International Trade Fair and Congress Entertainment Technology, Stage Englineering, Equipment, Organisation
May 24-May 27	90. Deutscher Katholikentag Berlin 1990 e.V.
Jun. 05-Jun. 09	Medical Congress Berlin 1990 In conjunction with Pharmaceutical and Medico-Technical Exhibition
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TELEVISION

All a question of taste

In November 1980 the following paragraph appeared in this column:
"The programme I have been awaiting most anxiously for four weeks simply has not appeared. It seems that Boom Brown Out Co The Lights must Boom Out Go The Lights must have been a one-off which is most regrettable since it ieatured a whole collection of startling young night club per-formers who stand in relation to The Comedians as Hot Gossip to The Tiller Girls. Alexei Sayle's punk-chat perody "Alio John, Gotta New Motor?" was hilarious. The Quicker the whole crowd is brought back, the better."

The other members of the crowd were Rik Mayall, Adrian Edmondson, Nigel Planer and Keith Allen. (So much, incidentally, for the persistent asser-tion that "The critics always get it wrong, don't forget they sneered at Picasso and Mozart." Latterday point-scorers never bother to quote the critics who got it right . . . which is why we have to do it for

Though Mayall, Edmondson and Planer may have gone on more quickly to greater fame, I still think that Sayle is the true original in this bunch, and the repeat of Alexei Sayle's Stuff is confirming this. Though his stock in trade cer-tainly includes determination to épater les bourgeois, like other "alternative" comedians, Sayle has unique quirks: his use of trade names (the sneer he gets into "Weetabix" has to be heard to be believed) and his preoccupation with political totalitarians from Mussolini to Stalin, for instance. But above all he is a true iconoclast with real courage, as will-ing to ridicule the shibboleths of the working class as those of the Tory cabinet. "People often theorise about why the music hall died out. I'll tell you why it died out: because it was crap" he declares with passion, and then illustrates exactly

what he means What sets Sayle aside from other members of his genera-tion is that he is not like any-

Chairmen and Directors General come and go, as do chan-nel controllers and heads of drama, and not one of them, it seems, ever wavers in the belief that violence, the infliction of pain, and above all murentertainment, And not merely suitable, but just about the best subjects that can be found. Sex, which most same viewers identify with pleasure, is "dirty" and quite unsuitable; violent assault on men, women and even children is, by contrast "clean" and acceptable.

i) [][]()

In the past couple of weeks I have watched the 3 hour 10 minute mini-series Muder Ordained on BBC1, a true and peculiarly nasty story of an American clergyman (Christian, of course) who conspired with his mistress to kill their with his mistress to kill their respective partners. I have watched Shadow Of The Cobro, a 3 hour 5 minute mini-series produced by Zenith and screened by BECI, described as the "chilling" true course of a screened by BECI. the "chilling" true story of a psychopathic mass murderer. The television drama spent too much time on a tedious account of the journalists who wrote a book about Sohhrai, but murder and torture were still the raisons d'être.

I have watched all four hours of Echoes in The Dark-ness which began on BBC1 last night and will be concluded tonight; another very nasty story of the killing of a woman and her two young children. In this instance there was a gap-



licence from the French origi-

licence from the French origi-nators, this one also involves people having around the land-scape, guided by remote con-trol (well, by the ghastly tones of Annabel Croft, actually) with lots of helicopter activity. But this time the competitors are threatened by the epony-mous interceptor who can lock their 1,000 prize in their back-backs with one shot from his

packs with one shot from his

The trouble is that as soon

as he gets in range of them, he

makes his excuses and leaves.
The whole thing might make sense if you had Royal Marine Commandos playing all out against the Parachute Regiment, but with a couple of members of the public (one far from enthusiastic in the opening episode) and "interceptor"

ing episode) and "interceptor" Sean O'Kane prancing about like a panto demon, it just

Conversely The Great Picture Chase, which sounded as though it might be an ember-

rassingly contrived vehicle for re-cycling outworn chat show

guests, and whipping up a spot
of viewer cupidity, turned out
- in its first episode, anyway
- to be both informative and

compelling. The idea is that half a dozen "celebrities" are

each given £500 taken from you

licence fee and mine, and sent

out to buy pictures for "The BBC Art Collection," whatever

Joan Collins proved to be an

inspired choice, having a knowledge of French drawings, a firm idea of what she wanted, and a willingness to enter 100

per cent into the spirit of the thing. If David Puttnam looking for "collectable" photo-

graphs, Norman Rosenthal on

the track of a Hockney, and

the others, are as interesting as this, then The Great Picture

Chase will be one of those rare

series that manage to provide information, education and

entertainment simultaneously

How many other families have found it necessary to talk

loudly between programmes

when watching Channel 4 (and occasionally BBC2, especially before M.A.S.H.) in order to

avoid having every twist in the

plot of a mystery, every sur-prise in a movie, given away by the announcers? We have become so fed up with the mix-

ture of portantousness, clever-dickery and ponderous jocular-ity adopted by the Channel 4 continuity staff that, unless we

are determined to watch a par-

ticular programme, we now

Christopher Dunkley

switch channels to avoid it.

to a mass audience.

that may be.

infra-red device.

Sean O'Kane and Annabel Croft in "Interceptor" ing hole where the motive of one of the two murderers should have been, but the plot was quite horrible enough

What dark and twisted strand in human nature is it that makes murder into wholesome and acceptable entertainment and sex into something filthy and unacceptable?

If we must have soap opera, then BBC1's Sunday evening effort Chehoorth is the best sort to have; full of chinless won-ders, eccentrics, sharks and shysters. Will the black sheep belted earl see off the noovo gravel pit types? My prediction is heartache on both sides in the medium term, with a points win for the aristos at

Speaking of class, could it be that the reason the British middle class intelligentsia (especially that liberal, leftish section involved in publishing, education and the arts) loathes television is because the medium reveals what the mass of the people is really like? Throughout the 19th century and during the first half of the 20th, it was possible, and very fashionable, for left wing intellectuals to idealise the working man and entertain a "noble savage" theory of the working class. What television reveals so vividly and bleakly is that the tastes of the mass audience — unsurprisingly when you think-about the Latin-root of the word — are deeply vulgar. Television, shows how

depressingly easy it is to get an entire studio audience screaming and punching the air at the sight of a barbecue set being given away as a prize. Television proves over and over again that what The People really like is Esther Rantzen delivering a little homily about the evils of child abuse and then giggling coyly as she holds up a carrot that looks like a penis. In all probability people have not changed. All that has changed is the ability of the chattering classes to see what the millions really like as distinct from what a misty

The essential requirement of any game is that it be played dedication: once you "play" at playing you are patronising the proceedings, like an adult grandly conde-scending to join in cowboys and Indians. Perhaps this is why the new ITV game show Interceptor is so uninteresting. Made by Chatsworth, who produce Treasure Hunt under

eyed sentimentality once allowed them to imagine they

Spartacus

Twenty-one years after it was first staged, Yury Grigorov-ich's Spartacus still holds its audience in the firmest grip. On Monday night, when the Bolshoy brought it into this season's repertory, the applause after the first two acts would have satisfied any lesser company as the closing plaudits for a gala; the final cheers were ringing into St. Martin's Lane long after curtain fall. That this was so is tribute to Grigorovich as cretribute to Grigorovich as creator of a massively effective spectacle, and as director of a troupe which holds nothing back in performance but seems utterly the servant of its chore-

In 1968, Spartneus encapsu-lated a society's view of art as well as of its ideologies. For the expanses of Bolshoy stage, for the style and forces of the for the style and forces of the Bolshoy's company, for the company's identity within the Soviet scheme of things, Spartacus spoke potently and grandly of political and physical aspirations. Twenty years on, its virtues — of monumental power; of uncompromising faith in its implied doctrines; of huge yet controlled scale of huge yet controlled scale (like the best cinemascope adventures) - still convince us. Impossible not to accept its language and its values when they are presented to us with such burning commitment, such muscular pride. One may see in Grigorovich's Ivan the Terrible or The Golden Age more sophisticated, more intriguing statements about dance and about Soviet art -

Ivan is a brave portrait of national unification through tyrany; *The Golden Age* a com-mentary on social tensions within the new Soviet state and upon popular art of its period – yet Spartacus, by its emotional and dynamic direct-ness, wins an audience on the most immediate and enduring terms of a struggle between

good and evil, with no half-measures, no indecisions.

One might even say "with no subtleties" were it not for the generations of outstanding interpretation the ballet has I yield to no one in my admi-

I yield to no one in my admiration for the performances of Vladimir Vasiliev (vulnerable as Spartacus for all his physical magnificence) or Mikhail Lavrovsky (with whom the soul as well as the body spoke). With Irek Mukhamedov, who danced on Monday night, the role is given glorious technical realisation — those diagonals of leans, by which Grigorovich exposes Spartacus' commanding attraction over the slaves, ing attraction over the slaves, seeming a call to liberty as he took to the stratosphere - but also a rare purity of means. Small things, like a little jump, a simple pose, retain an aca-demic discretion, a clarity, which bring a welcome refinement to the dance. And in the biggest moments, the scale of Mukhamedov's dancing, of his interpretation, reaches out beyond the theatre to the world. It is truly heroic dancing, in its impetus as in its largeness of form. Its is heroic, too, in its complete identifica-

medov is a superb actor, as these columns have reported in such diverse roles as Albrecht Ivan the Terrible, Boris in The Golden Age, Basilio, or the Sleeping Beauty's prince.

What can be seen to link these interpretations is an absence of mannerism, a selfless dignity in face of the role, and that humility which touches the work of the great est performers. There are con-stants to all his readings which, on Monday, we admired in his Spartacus: blazingly legihle features, dominated by Byzantine eyes; nobility of gesture, so that the least movement is significant; unerringly expres-sive identification with the character, a technique of tire-less and unforced power. To these add the gentleness that made the intimate scenes with Phrygia so moving, and — like Mikhail Lavrovsky — the skill to show Spartacus' moments of self-doubt in the third act with

heart-tearing clarity. On any terms, even Mukha medov's, his performance on Monday night touched extraor-dinary heights. We were privileged to see him. Fine interpre-tations, too, from the other principals: from Nadezhda Pavlova as a fragile, adoring Phrygia, with a light and ravishing jump; from Alexander Vetrov as a Crassus whose classic style seemed to concen-trate his villainy, from Maria Bylova as a dominating untiringly excellent.



Clement Crisp Nadezhda Pavlova and Irek Mukhamedov

Cult figure among the young at Avignon

alère Novarina, unknown in Britain, has become a cult figure here in Avignon among the young. Several of his plays are being pres-ented at this year's Festival. He has the impatience with conventional modes, the creative versatility, the mixed origins that somehow seem typical of a modern man of the theatre in France. Novarina is a Savoyard, whose parents are Swiss and Italian. He is the author of several collections of plays and monologues; also a painter and designer, an actor and director. One of his plays performed this year was both directed and designed by the

- Novarina claims to be concerned to abolish the distinction between writing for the theatre and simply writing. He believes that the theatre is essentially direct utterance (la parole) rather than a dialogue consisting of exchanges within a structured dramatic situa-tion. Hence, his interest in solo performances such as last Novarina compensates an audi-ence, who may lose concentration without a coherent narrative, with richness and violent language. His work is full of word-play, dialect, low-life word-play, dishect, low-life speech, nonsense, lyricism and passages designed to be spoken at breakneck speed, making it flendishly difficult to translate. But if Novarina is an absur-dist, he an absurdist with a social conscience

I am told that the play I caught at this year's Festival, his L'Atelier Volant, which basically is a farce about industrial relations and dates from 1970, represents a style that Novarina has now largely outgrown; but it seemed to me enough to stand out from other plays put on here from living playwrights who write in French.

It is directed at the Théatre des Halles by Alain Timart, working with his own company, a highly-disciplined group, in a decor and costumes designed by the director. The result is an explosion of dra-matic energy perfectly modu-

lated to the author's inten-tions. The play shows a group of six employees working for their draconian employer in an alliance constantly strained to breaking point.

The dramatic model Novarina has devised for this investigation into the human aspects of shop-floor relations, banishes all solemnity from the subject in a mood of hilarious anarchy. The workers, three men and three women, are known only by the letters of the alphabet, their faces smeared with white paint. They confront their boss, his wife and the factory doctor, who appear equally to have strayed in from a performance both radical and original of some Italian pantomime. The decor consists of a series solid black backcloth highlight ing the festive garishness of the costumes and the acrobatic antics of the performers with hypnotic intensity.

The only properties used during the entire evening are what seem to be white cardboard boxes of identical rectilinear shape like a massive pile of toy bricks. Some of these objects turn out to be solid blocks which may be used to give extra height to an actor when he has a long speech to declaim; others collapse when passed to and fro in simulation of the expensive ornaments on which the workers spend their wages. Half-way through the piece, these white boxes are neatly piled on top of each other to make an enormous

It is a concept magnificent in its simplicity, providing the perfect neutral background for constant streams of non-sequitors on the nature of profit, linked between capital and labour in a modern economy nour from the mouths of this talented troupe under their highly-creative director. In Novarina, we clearly have a

If the theatrical venues within Avignon have been fully occupied so have those outside the city, on the Re de la Barthelasse, where perfor-mances are now given and in that quarry at Boulbon, which Peter Brook made famous. This

SALEROOM

year, it is occupied by a show called Zingaro, devised and performed by a handsome cav-alier, Bartabas, with a troupe of gypsy equestrians and musi-cians and a flock of geese, a turkey, a bullock and a dozen magnificent horses who are among the finest performing artists to be seen at this year's Festival. They prance around the ring, amazingly obedient to the crack of Bartabas's whip. as the moon comes up high above the cliffs of this superb natural arena.

Many of the productions of the Avignon Festival over the past few years, including Ham-let, Le Soulier de Satin, the Mahabharata, have been reput out by La Sept, a pan-European public service channel which began broadcasting in able to anyone in Europe with a tuner and a dish. La Sept is currently involved in discussions with Channel 4 on joint programmes in the area of

Anthony Curtis

Scene from Valère Novarina's 'L'Atelier Volant'

Record season announced Sotheby's and Christie's with sales of £519m (\$888m), a

yesterday announced quite remarkable record sales figures for the 1988-89 season, which draws to a close this month. Sotheby's boosted its turnover by 57 per cent to £1.356b, while Christie's was 63 per cent higher at £1.041b.

Record price followed record price, record auction total fol-lowed record auction. Perhaps the best indication of the demand was the fact that Sotheby's sold 258 works for over \$1m (as against 114 last season) while Christie's achieved seven figure lots on 147 occasions as against 93 last year.

Again it was Impressionist and 20th century pictures which led the boom. On May 9 in New York Sotheby's set a record £123.4m from just one ession, while over the season its sales of contemporary art (mainly American artists) rose by over 200 per cent to \$195m. These two sectors account for over 40 per cent of Sotheby's and Christle's turnover.

Sotheby's set the highest price of the season, £28.3m (\$47.9m) paid for Picasso's self portrait "Yo Picasso." It also set a new high for a work by a (£9.4m) paid for "False start" by Jasper Johns.

Christie's broke the £1b (\$1.78b) barrier for the first time. The power house of its rise in turnover was New York, which soared ahead of London

portrait of a probable Medici Duke, which tripled the previous best in this area, and the \$12.1m for an item of American furniture, a Nicholas Brown sk and bookcase which went for four times more than any item of furniture at auction. Christie's at King Street did well enough, with sales up 41 per cent at £338m, and in a few days this summer set new records for a clock - a Tomobject of tribal art, a Benin bronze which sold for £1.32m; and jewellery in the UK: £1.87m for the Harcourt emeralds. In addition, William Beckford's commode set a record of

gain of over 100 per cent. Its

main achievements were a new record for an Old Master paint-ing — \$35.2m for Pontormo's

while the £20.9m paid for a Picasso, "Acrobate et jeune Arlequin," was temporarily a record for this artist. All the indications are that the boom will continue into the new season starting in October. Sotheby's expects to take in well over \$100m from the collection of the late John T. Dorrance of Campbell Soups, while Christie's is enlarging its premises in London, Paris and Hong Kong in expectation of increased trade in Europe after

£1.1m for English furniture

1992 and in the Far East. Antony Thorncroft

and Gurnemanz will not be

Obituary: Martti Talvela

The Finnish bass Marttl Talvela, who died on Saturday at the age of 54, was one of the most important Scandinavian singers to emerge this century.
After his Stockholm debut,
in 1961, he went to Bayreuth, and thence to all the leading

international opera houses, to take the Wagner and Mussorg-sky bass roles for which his giant's physique, gaunt, imposing stage presence, and darkly powerful, wide-ranging voice so aptly fitted him. He was also a Verdi and Mozart singer of renown, and a regular song-recitalist. His Covent Garden per-formances in *The Ring* and as

quickly forgotten. Talvela became director of the revived Savonlinna Festival in 1972, which coincided with the surge in world interest in that particular enterprise and in Finnish opera generally (the leading role of Kokkonen's The Last Temptations was written for him). In recent years Talvela's appearances outside Finland were considerably reduced because of the illness that dogged him, but recently it had been announced that he was shortly

to become one of the joint

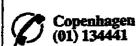
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ARTS GUIDE

THEATRE

The Merchant of Venice (Phoenix), Dustin Hoffman's Shy-lock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance pro-duction, Geraldine James a superb Portia (836 2294). Much Ado About Nothing (Strand). Alan Bates and Felicity Vendal lead strong ad hos com-(Strand). Alan Bates and Felicity Kendal lead strong ad hoc company in turnshout fortnightly rep with Chekhov's early, astringent Ivanov. Not to be despised (836 2660). Ends July 29.

The Black Prince (Aldwych), lan McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black faces, witriolic and emartaining (836 6404).

Ghetto (Olivier). Brilliant
National Theatre version of
Joshna Sobol's Israeli play about
the last days of the Vilna ghetto
and its resident theatre company.
Moving and shocking. Nicholas Hytner directs, Bob Crowley designs, good music arranged by Jeremy Sams. Last right (928

London International Festival London International Festival of Theatre. LIFT, the fifth biennial festival takes place all over London during July. The Comédie de Genève in Strindberg's Miss Julie at the Lyric Hammersmith is recommended (741 2311) in the last week of the month. More details on 240 2428. Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaka's desperately bright production comes from the Lincoln Center in New York and is undemanding sun-mertime fare (734 8951, cc 836 2428).

Single Spies (Queen's). The high-light of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett. himself as Anthony Bourt in the toyal picture gallery. Cive Francis plays Guy Burgess in a rehash of Bennett's fine TV film An Englishman Abroad (734

III68.

M. Butterfly (Shaftesbury).
Anthony Hopkins as the tortured diplematic hero in a Peter Shaffer-style "speciacle of ideas" dressed up in John Denter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electritying than in New York; the play is not very good but still worth seeing (379 5399).
Brigadoon (Victoria Palace). 1947 Lenor and Lowe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail then expected (884 1317, co 385 2429).
Henceforward (Vandeville). Martin Jarvia and Joanna van Gyeghem in bleakly funny and experimental Alan Ayekhourn comedy of future shock and

experimental Alan Ayekbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs in the streets and a ting-of-love (336 3967, or 741 3998). Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Genoperatiz derived from David Gar-nett's 1955 novella, Musically interesting and well directed

unknowns project the right sense of sybaritic insouciance. A proba-ble, but unspectacular, hit (839

New York Heidl Chronicles (Plymouth). Wendy Wasserstein's award-win-

Wendy Wasserstein's award-win-ning drama covering 20 years in the life of a successful Ameri-can baby boomer goes from sup-port for Eugene McCarthy's pres-idential aspirations to electoral ambitions in the 1980s, accompa-nied by the musical and emo-tional flavour of the period (239 6260).

1200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's hig time opera ambitions makes a transatiantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (229 6200).

Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the North-ern English edges that retain

en authentic touch.
Jerome Robbins' Broadway
(Imperial). Anyone attracted by
the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, includ-ing On the Town, West Side ing On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the hrevity of each piece, with a con-temporary crew of Broadway aspirants who lack the multi-tai-ents that inspired the heyday of the musical. Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mug-ging but hollow humour that misses as often as it hits. Chris-tine Bersnski leads an ebullient cast in the inevitable but disap-

cast in the inevitable but disappointing hit.
Cats (Winter Garden), Still a sell-out, Trevor Numn's production of T.S. Eliot's children's poetry set to music is visually startling (239 8262).
A Chorus Line (Shuhert). The longest-tunning musical in the US has not only supported Joseph Papp's Public Thester for eight years but also updated the musical genre with its backstage story in which the songs stage story in which the songs are used as auditions rather than emotions (239 5200). Les Marrables (Broadway). The magnificent spectacle of Victor Hugo's malestic sweep of history and pathos brings to Broadway lessons in pageantry and drama

Me and My Girl (Marquis). Even me and my (air) (Marquis). Even if the plot turns on ironic mimitry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. (947 0033). M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentions and obvious meditation on the true street of the Newech diplomate. true story of the French diplom whose long-time mistress was a male Chinese spy (246 (220). Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunt-ing melodies in this mega-trans-fer from London (239 5200).

A Funny Thing Happened on

(239 6200).

July 21-27

the Way to the Forum (Good-man). Stephen Sondheim's most popular musical, for which he wrote both music and lyrics, stars Louis DiCrescennzo as Pseudolus in Burt Shevelove and Larry Gelbart's adaptation of Plautus. Ends Aug 6. Driving Miss Daisy (Brian Street). The touching relation ship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000). Steel Magnolias (Royal George). Ann Francis and Marcia Rodd

play the leads in this view of southern life from under the dry eas in a busy hairdressing estab-lishment (968 9000). Les Miserables (Auditorium). The international spectacle has settled in for a long stay by the Great Lakes (922 2110).

Kabuki. Both the matines and evening performances at Kabu-ki-za (541 3181) feature the prodi-gious Ishikawa Ennosuke, whose barnstorming acting style, spec-tacular agrial stunts and costume quick-changes have attracted a younger audience to kabuki. Alice. Kan'i Hoken Hall, Cotanda (486 7556) The Lindsay Kemp Company from Britain has a rep utation for outrageousness, but this adaptation of Lewis Carroll is said to be suitable for both adults and children. Kemp himself plays Carroll. Last night. Les Miserables. (Imperial Theatre) Strongly-cast revival (in Jap-anese) of the stirring musical of the storming of the Paris bar-ricades (201 7777).

FINANCIAL TIMES

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Wednesday July 26 1989

Tight restraint on spending

CONTROLLING public cult, as well as important. The private sector can be regulated by the invisible hand; for the public sector it has to be the Treasury's visible fist. What is remarkable is how successful the Treasury has been in

From decisions announced just two weeks ago one can expect more of the same. In the coming public expenditure round, the attempt will be made to keep within the plans for 1990-91 announced last autumn. Mr John Major has left his successor as Chief Sec-retary to the Treasury, Mr Nor-man Lamont, no easy task.

Autumn Statement, the increase in the Government's favoured indicator of inflation (the deflator for gross domestic product) for 1990-91 over 1939-90 was forecast at 3% per cent. In the Budget, the fore-cast was up to 4 per cent, but it now seems likely to be 5% per cent or even more. "Real" pub-lic expenditure (excluding pri-matication, receipts and debt vatisation receipts and debt interest payments) would then rise by no more than 1% per cent, as against the 3.6 per cent

shown last autumn. It appears, however, that the annual inflation rate in general government final consumption runs at almost 11/4 percentage points more than in the economy as a whole. This being so, the volume of public expenditure is set to remain static between 1989/90 and 1990/91.

Little change

This would represent little change from the recent past.
Under the present Government, public expenditure peaked as a share of GDP in 1982-83 at 46% per cent. Remarkably, the ratio fell to 39% per cent by 1988-89 and is expected to go on falling. It is now 9 percentage points lower than at the peacetime peak reached in 1975-76.

Over the six years, 1982-83 to 1988-89, public spending in real terms, even on the Government's calculations, rose by a mere 5 per cent. Once a more olausible deflator is used, the claimed real increase disap-

Should this remarkable stringency be continued? Before leaving the Treasury, Mr Major made a speech arguing that a budget surplus and so stringent control of public expenditure - was necessary to control inflation. More fundamentally, he argued that meet.

"we now need to maintain our expenditure in order to produce a sustained reduction in the burden that taxes impose on wealth creating activities." The first argument is unper-

noticeable increase in inflationary pressure, notwithstanding public expenditure restraint and an improving fiscal posi-tion, the problem being spending in the private sector. Even if prudence does require a large fiscal surplus, that can be secured with higher expenditure and taxation. The second argument, too, is weak. Do education, training or public transport impose burdens on wealth creating activities? Are theme parks and casinos more valuable than schools and

Key services

A more valid objection might be to the disincentive created by taxation. For the present Government, one might sup-pose that the solution to this problem would be to privatise the key services or at least substantially increase the inflow of private resources. But they remain in the public sector precisely because they are too politically sensitive to be left to private provision. It is strange to respond to that national consensus by starving them of resources.
Starved is what they have been. According to the Govern-

ment's own calculations, expenditure in real terms on the Department of Transport fell by 18 per cent between 1982-83 and 1988-89; that on the Department of Education and Science rose by 9 per cent; and that on the Department of Health rose by 17 per cent. On the basis of more appropriate deflators, the volume of provi-sion fell very sharply in transport, stagnated in education and rose quite modestly in health. Even in supposed prior-ity areas, like education and health, expenditures were lower as a share of GDP last financial year than in 1982-83.

The political system of the UK gives a government extraordinary power. But the power is not unlimited. The Government has been unable to privatise its obligations in health, education or transport,

let alone abolish the welfare

getting the worst of both worlds. Key obligations of the In his letter to Mr Leigh-Pemberton state are too sensitive to privatise and too burdensome to

In the circumstances, it is hard to avoid the suspicion that the Bank of England's eagerness to see boardroom

Barry Riley on the significance of the resignations at NatWest

he Old Lady was looking for a "proper response". Yester-day, the Bank of England may even have got more than it bargained for when four National Westminster Bank directors resigned in the wake of the Blue

Arrow scandals.

Lord Boardman, the chairman, aged
70, will go at the end of September,
three months sooner than he planned. Three others carrying more direct responsibility for the irregularities at County NatWest, the group's invest-ment banking subsidiary, Mr Charles Green, Mr Terry Green and Mr John Plastow, will clear their desks more quickly

Lord Boardman's final suggestion that "there had been no requirement by the Bank of England for these resignations," was no doubt literally true, in that there was no list of names. But it can hardly be described as a complete account of the Bank of England's position. The Bank made plain that it wanted to see a proper response to criticism in order to maintain high standards in the banking

One of the strange ironies is that the Governor of the Bank of England, Mr Robin Leigh-Pemberton, is an ex chairman of NatWest – Lord Boardman's predecessor, in fact. Is the Gov-ernor being too harsh in order to avoid accusations of favouritism?

The resignations will tear a terrible hole in NatWest's top management structure. Not even as large a bank as this will be able to replace such expe-rience at all easily. Already, Big Bang and the Blue Arrow involvement have cost the bank immense amounts of money. Now, shock waves will rever-berate throughout the organisation as staff and customers react to the departure of the chairman and top executives

The disciplining of such senior and respected bankers will serve to sus-tain the principle that those who accept responsibility must pay the price when things go badly wrong. It will send shivers of apprehension through boardrooms and executive suites throughout the City of London and beyond. From now on, compliance with laws and regulations will be taken a lot more seriously. Although business ethics may have been treated rather casually in some quarters in the past, self-preservation

is a powerful motive. But this justice is rough in the extreme. Much of the behaviour exposed last week in the Department of Trade inspectors' report on the Blue Arrow affair must have been fairly typical of the more aggressive securities groups. It was bad luck that the three executive directors were exposed in an affair that might never have attracted public scrutiny but for the sheer accident that the stock market crash occurred a few weeks after the Blue Arrow rights issue. The the Blue Arrow rights issue. The alleged sins of the three executive directors were largely of omission: they failed, according to the inspectors, to ask the questions or make the independent checks that they should have done. But they were career clearing bankers, with little knowledge of the peculiar business practices in corporate dealmaking and institutional stockbroking, ignorance can be no express but should they can be no excuse, but should they ever have been placed in what turned out to be an impossible position?

yesterday, Lord Boardman was bitter about inconsistencies in the inspec-tors' report, and claimed that their account of crucial meetings was "inaccurate in some respects and unfair in its conclusions." As for the three executive directors, he said that the report "in no way impugns their

The high price of banking error



• LORD BOARDMAN, 70, a former Industry Minister and Chief Secretary to the Treasury, was due to step down as NatWest's chairman at the end of this year. He was not directly involved in the Blue Arrow ni zaw bne riefte Washington at a meeting of the International Monetary Fund during the crucial period. He became NatWest hairman in 1983 when Rohin Leigh-Pemberton was appointed Governor of the Bank of England.

blood spilt at NatWest partly derives

from a wish to distract attention from its own responsibilities. Not that the

Bank's officials could have done very

much in the specific circumstances of the Blue Arrow affair. But the Bank of England has assumed the overall

dual role of regulator and departmen-

tal sponsor for the City of London. It

must therefore be very worried about the possibility that the investigation

of County NatWest revealed not just

NatWest structure

CHARLES GR

LIK FINANCIAL

Roger Fleming Chief Executive

High Street banking

Deputy Group

DOMESTIC BANKING

£1,005m profit, 1988

NATWEST INVESTMENT BANKING

County NatWest

Loss of 256m in 1988

Howard MacDonald

Chief Executive



• CHARLES GREEN, 58, a director since 1982 and deputy chief executive since 1986, joined NatWest 43 years ago. He joined the board as the bank's first finance director. Mr Green told the DTI inspectors that he had at a crucial moment asked Nicholas Wells and David Reed if they had taken legal advice about whether the bank was covered by the market makers' exemption from disclosing its holding of Blue Arrow shares, and was assured on this point.

LORD BOARDMAN

JOHN PLASTEM General manager is

INSTITUTIONAL

Group Chief Executives

CORPORATE

BANKING

John Melbourne

Chief Executive

Chroorate business

individual but systemic inadequacies.

It is only four years since the Bank of England ran into serious political

trouble over its own failure to prevent

the collapse of a bank, Johnson Matthey Bankers. Banking supervi-

sion has been greatly tightened up

since then. But now, policies for the

securities markets must be re-exam-

England strategy during the past 10

A powerful theme of Bank of

TERRY GREEN

Deouty Group

INTERNATIONAL

Business

2280m profit 1988

Subsidiaries in

ten countries

John Tugwell

Chief Executive

SUPPORT

SERVICES

Bert Morris

Chief executive

Centre-file

computer services

People & premises



oined the bank while still in his teens and has held a range of jobs, the latest being director of related banking services. He napaged NatWest's entry into the investment banking business and is the NatWest director put most directly into the firing line by the DTI. Mr Reed claimed that he had permission from Mr Plastow to go ahead with a placing of the Blue Arrow shares not taken up in the disastrous rights is



• TERRY GREEN, 55, a deputy chief executive since 1987, joined up at the age of 16. He was cast into the thick of County's problems in February 1988 when the investment bank's chairman and chief executive resigned. Always intended to be a new chief executive in John Macdonald at the start of this

a stop-gap, he stepped aside when County found

years has been the opening up of the London securities market and the development of the City as one of the three top centres of the global financial industry. The Stock Exchange's Big Bang restructuring in 1986 was a key event, allowing the commercial banks to buy their way into what had previously been a closed club, and the Bank of England promoted the forma-tion of powerful, diversified British securities groups which could become global players to rival the big Ameri-can investment banks. NatWest sought to build up one of these, but its ambition has led it deeper and deeper into trouble. The bank is say-ing nothing for the time being, but it would not be surprising if there were

Another central theme has been that of self-regulation. The Bank has traditionally promoted self-regulatory bodies, and these have been given an important role in the new structure imposed under the Financial Services Act. It is true that the new investment watchdog body, the Securities and Investments Board, and its subordinate self-regulatory organisations such as The Securities Association, which authorises NatWest's securities market subsidiaries, did not gain their full powers until some nine months after the Blue Arrow affair. But some of the new regulatory procedures, such as the use of in-house compliance officers, were in place, and their ineffectiveness must be a source of

internal voices arguing that NatWest should cut its losses and concentrate on the businesses it understands.

There is now an urgent need for an assessment of how general the prob-lems are, or whether National Westminster has been particularly badly run. This is another irony, because in the early 1980s NatWest surpassed Barclays to become Britain's biggest and best-managed bank. Now, Nat-West is struggling, and it must re-ex-amine its approach.

The internal management structure of the bank in fact became the subject of private controversy last year when the board began to consider who should succeed Lord Boardman as chairman. The directors debated the candidacy of Sir Peter Walters, chairman of BP and, at that stage, a deputy chairman of NatWest.

But Sir Peter insisted on tough conditions. He wanted to carve up the unwieldy 31-member board, consisting mostly of non-executives, and install something more like an industrial management structure. The directors management structure. The directors jibbed at this, and Sir Peter exited. The board eventually settled for the apparently more amenable prospect of Lord Alexander, continuing the tradition of barrister chairmen. He will now take over on October 1, three months earlier than expected.

As something of a Bank of England protege, Lord Alexander comes with excellent credentials. But he has never managed a company, let alone a bank, and there must be grave doubts whether at this critical stage NatWest will thrive under another amateur chairman. Professional bankers now rule elsewhere, with Sir Kit McMahon in charge at Midland, Sir Jeremy Morse at Lloyds and Mr John Quinton at Barclays, which has recently acquired a new lease of life.

acquired a new lease of me.

The canny Sir Jeremy only ever dipped a big toe into the securities business, before withdrawing it, and Midland, burdened by other troubles, midand, purdener by their troubles, pulled out soon after Big Bang. Bar-clays, on the other hand, plunged in even more deeply than NatWest, with the creation of Barclays de Zoete Wedd. But it seems to have asserted tighter control than NatWest, and it claims there is much more investment banking experience on its main

Certainly, other banks can gain scant comfort from NatWest's predica-ment. The risks are highlighted for everybody. Meanwhile the regulators at the Bank of England and the SIB must reconsider their approach to the anthorisation of firms and individu-als. They have already placed great emphasis on whether responsible directors, as well as practitioners, could be regarded as "fit and proper but they may now have to use more specialised criteria. The unfortunate cases of Messrs Green, Green and Plastow show that integrity and general experience may not be enough when it comes to coping with critical circumstances in handling takeover hids or capital issues.

The other side of this coin is that

financial executives are likely to become much more careful about accepting responsibilities, if minor mistakes or omissions could lead to public disgrace. At corporate level, this must show itself in a generally greater reluctance for companies to diversify into sensitive businesses where they have no internal exper-

The Blue Arrow affair has been brewing for many months. In one sense, it will be a relief to National Westminster Bank that the worst is now over and it can begin to build for the future again under a new chairman. But the cost to the bank's pride has been shocking - and it still faces the threat of civil action if investors in Blue Arrow seek to recoup some of

In the City yesterday there were rumblings of complaint that the authorities have over-reacted. DTI inspectors' reports provide erratic jus-tice at the best of times. Should not the Bank of England have been more protective towards one of the UK's great financial institutions which had basically good intentions but suffered from bad execution?

July 25, 1989, however, was a day when the buck stopped at the chairman's the buck stopped at the chairman at the chair

Arms sales to Iran and Iraq

ONE YEAR ago this week, the guns began to fall silent along the Iran-Iraq frontier after nearly eight years of war. The United Nations Security Council congratulated itself on hav-ing persuaded Iran belatedly to accept a ceasefire and the great powers set about trying to bring the two belligerents together for talks. After several fruitless

rounds of negotiation, Iran and Iraq are no closer to peace. They have not even signed a formal truce agreement and have been unable to agree on the most minimal confidenceexchange of prisoners of war.
Outside powers, preoccupied

with commercial opportunities in Iran, Iraq or both, have all but forgotten about the UN mediation effort. Far from taking concrete steps to push the peace process along, some of them are looking for ways of boosting weapons sales. In a region which could easily fall prey to a dangerous new arms race, this is a triumph of marketing over political good

Top priority

The issue of arms sales to the Gulf combatants is almost bound to loom large in western and eastern chancelleries in coming months. Understanda-bly after such a destructive war, both Tehran and Baghdad are treating military re-equipment as a top priority. The Iraqis are seeking to boost their own arms industry by luring foreign companies into military joint ventures. The Iranians have already made clear that they expect defence sales to form an important element of new relationships they

strike up with foreign powers. The potential has, of course, not escaped the world's arms manufacturers. The Soviet Union, having signed a wideranging co-operation agreement with iran last month, is positioning itself to be a major supplier to both sides. France was deeply involved in the Iraqi market during the war and probably expects to become even more so.

British Aerospace wants UK Government approval for the possible sale of a sizeable number of Hawk trainer jets to Baghdad. Such a move would require, to say the least, a liberal interpretation of existing British guidelines on the export of military equipment to the two belligerents. At a time like this, it is a decision that would send all the wrong signals.

Regional stability

Those governments permit-ting the open sale of war material to Iran or Iraq are conve-niently forgetting how dangerous to regional stability the conflict between the two countries seemed until little more than a year ago. Given its legacy of bitterness, almost any arms sale to either side — whether of offensive, defensive or training equipment — can only serve to whet the appetite of the other.

Britain and other permanent

members of the Security Council would be performing much more of a service to the region if they devoted fresh thought to ways of advancing the peace talks. At present, the negotia-tions are an intractable mess. Iranian and Iraqi officials have yet to look each other in the eye, let alone move beyond their entrenched opening positions. Iran will not agree to anything unless Iraq first with-draws from its territory; Iraq will not pull out unless Iran agrees to arrangements to reopen the Shatt al-Arab waterway; the two of them remain at odds concerning sovereignty over the Shatt.

Without the political will on both sides to move forward, it admittedly hard to see how outsiders can cut through this tangle. But as Iraq and Iran focus attention on rebuilding their civilian economies, there is a chance that the desire for a settlement - as opposed to a state of no-war, no-peace may also grow. Western countries should at the very least endeavour not to disrupt this process by rekindling the arms

Moscow and London

■ There is a terrible mix-up in Anglo-Soviet relations. Both sides have been seeking to put them together again since the tit-for-tat expulsions of diplo-mats and journalists in May. Yet every time they try, some-thing else ener wrong. thing else goes wrong.

Lord Young went to Leningrad, Kiev and Moscow for top-level trade talks with Vladimir Kamentsev, the Soviet Deputy Premier responsible for foreign economic relations, when Young was still Secre-tary of State for Trade and Industry, Kamentsev was dumped from his job by the Supreme Soviet for "nepotism and sloppy work" the next

Moscow tried to make up for it by sending Alexandra Biryukova, the only woman in the Politburo, and herself a Deputy Premier in charge of social affairs, to London this week for talks with Lord

Young. They found that he, too, had left office.

Now there is General Dmitri Yazov, the Soviet Defence Min-ister, who was keen to play his part in papering over the Anglo-Soviet cracks. He came to London this week expecting to see George Younger at the Defence Ministry and Sir Geoffrey Howe at the Foreign Office, only to find that one had been replaced by a King and the

other by a Major. In Moscow, however, negoti-ations between the British Embassy and the Soviet For-eign Ministry on cutting the numbers of Soviet employees at the Embassy — as part of the tit-for-tat battle — are dragging on interminably. Both sides seem happy to keep it that way.

Too long

My own view of Mrs
Thatcher in the 11th year of her premiership is very simple: she has stayed too long. She should have gone about a year

OBSERVER

ago. That does not mean that she is a less good Prime Minister than she used to be. Nor is it a great criticism. Almost everybody does it. De Gaulle did it in France; Ronald Reagan would have run for a third term in the US, if the constitu-tion had allowed him to. It does not necessarily mean either that she will lose the next general election, though the odds must be changing. But it does mean that the chances of her going gracefully, of her own accord and at the height of her reputation are receding.

As for the reshuffle, it is

hard to believe that if she did not get on with Sir Geoffrey Howe as her Foreign Secretary which she did not, she will get on any better with him as her deputy. It is also unlikely that this is the last big reshuffle before the general election. The posts of Home Secretary and Chancellor remain unchanged. That sugge speculation about the future of Douglas Hurd and Nigel Lawson will be rife again well within the next 12 months.

Will Sir Geoffrey be given the Star Chamber - the task of adjudicating between depart ments on public expenditure? That could be an acid test of the new relationship.

Belgian bikes

■ Never make mistakes about Belgians and bicycles. It was quite wrong to state, as Observer did yesterday, that only one Belgian had ever won the Tour de France. In fact, the country has had 18 victories since the event began in 1903, including five by Eddy Merckx. There were five Belgian wins in a row between 1919-1922 and another four between 1926-1939. After the series of Merckx triumphs, the



ing like this, darling."

last Belgian winner was Lucien Van Impe in 1976. A lot of Belgians have pointed this out to us, and we apologise, though even they seem to quarrel about the fig-ures between the French and Dutch speaking communities. One of them comments: "I think the British know as much about cycling as the Bel-gians do about cricket."

Too tough

■ Rudolph Giuliani's campaign for mayor of New York is in trouble. The former Manhattan prosecutor, who made his reputation locking up Wall Street insider dealers, has shunted aside three campaign advisers and recruited the controversial, if talented Roger Ailes, President Bush's media

Ailes is the man who used to shout at Bush to bring out his aggressive best during the presidential debates with Michael Dukakis last year. During the live TV confrontation

between Bush and Dan Rather of CBS, Ailes also played a key role, holding up signs which contained scrawled advice and

put-downs. Giuliani's problems stem partly from his high "negative" ratings. A recent poll showed that 20 per cent of registered voters polled in New York had an unfavourable impression of him, compared to 4 per cent in January. One reason seems to be his icy demeanour; the other is the stream of negative publicity run by his Republican opponent, Ronald Lauder, who has spent \$8.5m on TV and other advertising - big even by New York standards, It may be true, too, that Giu-liani has focused too much

attention on the November general election, thinking that the Republican primary against Lauder on September 12 would be easy. Alles, who has written a best-seller about his techniques in manipulating the media, will bring a bit more discipline and bite to the Giuliani camp, even at this late stage.

Oxford law ■ Professor Roy Goode is to

ton Rose Chair of English Law at Oxford. The chair looked like sinking when the university was running short on funds last year, then Norton Rose, the City law firm, came up with the endowment. Goode will succeed Patrick Atiyah, the specialist on contract law who retired because of illhealth. His own speciality is commercial law and there may be, he says, a commercial law course for undergraduates. After 18 years at Queen Mary College, London, where he founded the Centre for Com-mercial Law Studies, he will arrive in Oxford in January.

Downtrodden

■ Sign on a new lawn in front of a block of flats in Birmingham: "Keep off! Your feet are killing me!"

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Peter Montagnon on the World Bank's efforts to address environmental concerns

nce the butt of fierce international criti-cism for cavalier disregard of the ecological consequences of opening up the Brazilian rainforest, the World Bank has long been anxious to clean up its own image in this regard as well as the environment of developing countries which it seeks to

Since the Paris summit earlier this month it has been given a mandate at the highest level to do so. In their concluding declaration, the leaders of the world's richest industrial countries urged the Bank and its regional counterparts to integrate environmental considerations into their develop-ment considerations.

The role of environment prothe role of environment pro-tection in development policy has been an important focus of the World Bank's activities for some time already. Armed with the summit declaration, the Bank is now poised to take an increasingly conspicuous role, above all as a co-ordinator both of policies and environment. of policies and environment-related aid.

Stung by the criticism over its subsequently abandoned involvement in the trans-Amazonian highway, Mr Barber Conable, its President, created a special environment depart-ment when he restructured the institution in 1987.

This now boasts a total of 34 full-time staff as well as special regional units. At its head is Mr Kenneth Piddington, a thoughtful, silver-haired New Zealander who in the space of 14 months has established himself as the Bank's "Mr Green."

Mr Piddington brings good credentials to this field. Previously he was his own country's Environment Commissioner. He also acquired long experi-ence in trade and development diplomacy during prior diplo-matic postings in both Geneva and Brussels. The summit declaration has thrust him and his department into the limelight more than ever before.

In one respect, he says, his task at the Bank has been made easier by the current manifestation of unprece-dented public awareness of ecological risk. But it has also posed questions about the nature of the Bank and its role as an intermediary between developed and developing

Can it afford to be seen by its developing country clients as what Mr Piddington calls "the running dog of environ-mental colonialism?" How easily can it absorb a new emphasis on the environment without losing its identity as an institution devoted to the

Sharp rise in green interest rate



broader issue of development? And how far is it prudent for a financial institution such as the Bank to lend support of environmental protection when the return in economic terms is non-existent at worst or, at best, impossible to

In the year and a half since the environment department was created at the Bank, the answers to these questions have begun to crystallise. World Bank officials are none the less only too well aware that they still stand on shaky ground when raising the

question of the environment with their development country clients. Much of the present gradation is the result of industrial country practice.

Mr Conable has pointed out that the US accounts for almost a third of all use of chlorofluorocarbons escaping into the atmosphere. The state of Hawaii has the highest number of endangered species for its size of any area in the

Mr Piddington believes that as understanding of the issue increases, the hostility of the developing world towards poli-cies which at first sight seem likely to militate against economic growth and higher living standards will slowly

diminish. But it is still neces-sary to engage the political will of recipient countries to tackling the environment rather than seeking to override their national sovereignty by impos-ing rules externally.

For Bank environment poli-

cies to succeed, they must have the firm backing of recipient country governments. This means talking in terms of "green facilitation" rather than green conditionality attached to lending. "We must work with our borrowers by co-operative consensus," he adds. Where the development of industrial plants is concerned this may not be too much of a

problem. Since the Bhopal disaster in India many developing country governments have become anxious to avoid environmental risks. Moreover, in routinely screening projects for environ-mental hazards the Bank has discovered that cleaner

operations, for example in power generation and pulp and paper manufacture, are often also more efficient because they use state-of-the-art tech-nology. This helps the Bank with another problem, that of finan-cial prudence, Mr Piddington

says. From the lending point of view you have improved the

return on investment and where difficulties arise, however, is when there is a need to impose costly restrictions such as the need to limit emissions of chlorofluorocarbons. This carries no tangible benefit for the developing country con-cerned and is not a natural priority. Mr Piddington argues that since this is a global issue there is no alternative but for orchestrated concessional

transfers of resources from North to South through the

provision of grants. Such transfers lie outside the normal operations of the Bank, but because of its intimate knowledge of overall develop-ing country policies the institu-tion does have a co-ordinating role to play in policy formation and by mobilising funds from national donors who are themselves increasingly concerned with environmental protection. One still unresolved problem with allocating such funds, however, is that "we still don't know country-by-country, plant-by-plant and product-by-product what the costs may

Protecting the rain forest is another area where the Bank cannot easily become directly involved with loans, but it can help in a number of ways aris-

ing out of its donor and policy co-ordination activities, Mr Piddington says.

For example, it can provide support to the very limited number of officials with the relevant expertise in developing countries the results of the relevant expertise in the ing countries themselves. "The pressure on that small group of individuals is going to be

intense," he says.

It can also take a more direct role in the establishment of buffer zones around the pro-tected reserve so that the local population no longer has to work for its subsistence inside the reserve and has other occupations such as what Mr Pid-dington calls "eco-tourism," which gives it an economic stake in the future of the reserve. This is the approach the Bank has successfully used in its economic action programmes for Madagascar and Mauritius.

Mauritius.

Underlying the Bank's environment philosophy is a firm belief that the choice facing its third world clients is definitely one of developing or protecting the environment. The two are inter-related, Mr Piddington argues, and have to be treated consciously as such. "When people are poor, the environ-ment suffers," he says, "and poverty does not solve the root cause of environmental damage in the third world, namely high population growth."

Lending for pollution control is, none the less, likely to increase steamy, he adde

increase steeply, he adds.
Drawing on the precedent
already established some years
ago by a loan to clean up the
port of Cubatao near Sao Paolo Brazil, the Bank is looking clean-up loans in a number cities including Manila, xico City and several Indian

Such lending has an economic as well as an environ-mental rationale, Mr Pidding-ton says, because it has become clear that without clean-up operations existing investment is at risk because infrastructure will be unable to sustain it.
In its last fiscal year to June

30, the board of the World Bank approved more than 100 projects with significant envi-ronment components. This repents about 35 per cent of all the projects approved in that period by the World Bank and its soft-loan affiliate, the International Development Associa-

This is a trend that can be expected to continue. Above all the environment is no longer simply a question of after-thought. "The disasters occur when the environment is treated as a clip-on facade," Mr Piddington says.

UK economic policy

A 'soft landing' is wishful thinking

By Frank Blackaby

way through into earnings. In

the private sector, most awards are above the rate of inflation.

It may be that some directors

and managers - who last year awarded themselves increases

which averaged over 25 per cent - had some compunction

in imposing cuts in real wages

on their workers.

The more probable reason is

the fact that the demand for labour is still rising. In some

parts of the public sector, the

Government may manage to hold the line at its incomes pol-

icy norm of 7 per cent - but

any group with access to bind-ing arbitration should be able

to get more. The increase in

interest rates, therefore, wors-

ened the internal pressure on prices, and only served to post-

pone the fall in the exchange

rate for a short period. It was not a good bargain. It is still an

open question whether the present level of interest rates

will eventually deflate the

economy enough to bring about the increase in unem-ployment which this Govern-

ment needs to bring down the

However, the rock on which

Government policy will founder is more likely to be the

balance of payments. It seems

Government ministers observed that the US had run a

balance of payments current

deficit for years and got away with it; they concluded that Britain could do the same.

There is a difference. The

greenback is in demand, as an

alternative currency, in dozens

rise in money earnings.

I t is one of the curiosities, in the academic study of economic policy, that there is no kudos in being right. In other forms of intellectual endeavour, had predictions serve to discredit the theories on which they are based, and the authors of those predictions find their status somewhat downgraded. In the study of the working of the British economy, this is not the case. It was at the beginning of this dead at the the study of the study of the study of the status of the status

this decade that the new band of monetarists captured the citadels of economic policy-mak-ing. They predicted that their simple prescription would squeeze out inflation with only a small and temporary rise in unemployment. Unemployment then proceeded to rise every year for six years, until it reached over 3m. Hardly small, hardly temporary. A bad prediction. It did the careers of

the authors no harm at all. Since the summer of last year there has been a repeat performance: the prediction that high interest rates will work, and there will be - to use the new term of art - a

"soft landing."
That ought to be a sufficient signal to anyone familiar with recent economic history to do the economic equivalent of taking to the hills. Here then is a counter-prediction – repeating one made in January of this year. There will be no soft anding. To the delight of the Labour Party, this Government has two unpalatable choices as it moves towards the next election. Either it can have a con-tinuing huge balance of pay-ments deficit, probably coupled with persistent high inflation, high interest rates and probably a low or falling exchange rate. Alternatively, it can have flat or falling output and demand, with rising unemploy-

The main (but not the only) defect in this Government's anti-inflationary policy is the implied assumption that the wage round no longer exists. Perhaps ministers really do believe that the emasculation of trade union power has abol-ished it. Perhaps their preoccupation with money markets has led them to forget that there is a labour market as well. The wage round does

of countries with strong interexist; labour costs are the main component of any rise in prices; and the size of the wage round is largely determined by nal inflation, from Argentina to Vietnam. The dollar is a world currency, in a way that the pound is not. two things - the state of demand for labour and the rise Britain's invisible earnings in retail prices since the last award. That is why, in the days when ministers had a better understanding of the workings of the British economy,

will fall, as assets are sold to bolster the exchange rate, and as high interest payments are made on the hot money that has been tempted in. The visi-ble account is unlikely to improve much unless there is a there was a generally observed rule: it was not a good idea to try to get prices down by policies which push them up.

The rise in interest rates total check to the rise in real demand. Britain no longer has a manufacturing export capa-bility adequate to sustain full employment. added two points to the rise in retail prices. (It was pointless of the Chancellor to protest that mortgage payments should not be considered as part of the cost of living.) This price rise is now working its

It is unfortunate that eco-nomic policy-making – and for that matter, most published comment on economic policy - is so dominated these days by City, and City-minded, econ-omists. Their time-horizon is too short and their interestspan too narrow for good advice on this matter. Their main concern is with the immediate effect on the market. of the next economic statistic.

We find, for instance, City economists solemnly engaged in trying to predict the trade figures which will be published ngures which will be published the next day – purely a matter of guesswork, not economics. They cannot be expected to understand, for instance, that West Germany's good record on stability of prices has nothing to do with its monetary policy and everything to do with its structure of industrial relations and worker participa-

City economists do not ask basic questions — for example, what is the function of interest rates? It is the reward for abstinence. Do people's preferences for immediate as against eventual consumption vary much from month to month? Of course not. Then how far is it ensible to have an economic policy system which relies so heavily on moving real interest rates up and down?

No soft landing. The hard landing should serve to call into question the whole set of doctrines behind the economic policy of the last decade.

The author was formerly dep-uty director of the National Institute of Economic Research.

Coping with Poland's debt

From Professor Richard Portes. Sir, Peter Montagnon (July 20) makes an excellent case for debt relief for Poland. The arguments are perhaps more compelling now than when I put them in January 1981 (The Polish Crisis: Western Economic Policy Options, RIIA) - if only because events confirmed that healthy political development was not sustainable in a desperately sick economy. The obstacles to economic and political reform in eastern Europe are immense;

Traffic at King's Cross

From Mr Peter Witt, Sir, You are right to call attention to the transport implications of the King's Cross development (July 10). Recent research suggests that the development will generate an extra 131,000 bus journeys and 1.7m car journeys. On top of this will be commercial

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traffic servicing the 6.95m square feet of office space — and leisure facilities, retail

'Car parking for prosperity'

From Mr R.G.I. White. Sir, Recent studies indicate the national costs of road congestion. Central government, in its white paper, Roads For Prosperity, has announced a £12bn road improvement But what of those hidden

regional costs generated by local government's failure to provide sufficient public car

From Mr J. Hughes. Sir, Your assessment of the collapse of the coffee pact (July 18), like the pact itself, ignores reality. You forget that:

Union;
Subsidising these non-members accounted for most of any enhanced receipts from importing members;
Suspension of the whole

apparatus has never benefited importing members, only suspended their disadvantages vis-a-vis non-members;
• Allocation of the export

debt is one we can actually help to overcome.
Precisely the same argu-

ments are equally compelling, however, for many other mid-dle-income highly indebted countries. The debt overhang stifles incentives and economic adjustment and endangers fragile democracies. Policy-makers should accelerate moves towards a "generalised buyback scheme" which could avoid the pitfalls of the original (welcome) Brady initiative; other appropriate use of the

space and honsing. Roads in the area are already operating at capacity and subject to severe congestion.

The scheme may offer many benefits, including increased employment, but it cannot succeed without the necessary road infrastructure for passenger and freight movement. Peter Witt, British Road Federation,

parking for maintaining local business - and what central government initiatives are required to resolve this? A large portion of local government income derives from business rates. Yet the owners of these businesses frequently reside outside the local authority area in which they operate. and thus lack a local vote.
Arguably, this "taxation

Agreement over coffee

quota - and any net gain -was decided by the coffee pro-ducers' power politics: patterns of demand or ability to supply by coffee type were of marginal • The "agreement" depended on controls and penalties which could still not prevent importance, economic status and coffee dependence of none; Such a pact, like Opec, does not need importing members;
• For the EC to shoulder its aid responsibilities through its exports at give-away prices to non-members like the Soviet budget will be less regressive than continuing to impose

them on coffee consumers.

Any discussion of "a more relevant and realistic" agreement which fails to tackle these issues does credit to your heart, but not to your head. 77 North Street, SW4

Parcel pay

From Mr Nick Nelson. Sir, The headline "10 per Sir, The headline "10 per cent" pay rise, on your report of the proposed pay deal between Royal Mail Parcels and the Union of Communication Workers, is misleading.

The deal provides for increases in basic pay worth. secondary market; or directly negotiated debt reduction. Poland, Mexico, Argentina, Hungary, Brazil, Bolivia, Peru – the list is longer, but the banking system and western taxpayers can bear the burden provided there is meaningful conditionality, structural adjustment, and a consequent return towards sustainable 7.5 per cent on average. A separate element worth 2.25 per cent is fully self-financing in year one, and will produce cumulative savings worth about 6 per cent a year. Nick Nelson, Royal Mail Parceis, 33 Grospenor Place, SWIX

Ghana's timber supplies

From Mr Moses Adigbli.
Sir, We note William Keeling's thoughtful analysis of Ghana's forest sector (FT sur-

growth throughout the world

economy. Richard Portes,

vey, July 11).
The 1.15m cubic metres produced from our forest reserves and forests is not all destined for exports. We have a substantial and growing need for tim-ber to supply our own people which accounts for some 40 per cent of total log extraction.

We are confident that — with the assistance of Britain's Overseas Development Administration — we can offer, from our forest reserves, timber managed under a policy pro-viding sustainable yields, and thus allay the anxieties of environmentalists in Britain. Moses Adigbli, Timber Export Development 102 Park Street, W1

without representation," permits local government to ignore the needs of local business in general, and the provision of sufficient public car parking in particular. Contrast this with "out of town" shopping complexes which attract trade from other areas by welcoming the motorist and gearing supply to demand. When demand

Running water

From Mr Michael Carney. Sir, I must put David Kinner-sley right on some of his more outrageous assertions (Letters,

First, the Water Authorities Association's response to the UK Government's proposals for a National Rivers Authority (NRA) accepted totally the need for regulation. Our only reservation was that, in addition to being a regulator, the NRA was being expected to act as a significant operator. We shall have to see how successfully the NRA combines these two roles in practice. Second, to describe recent Government measures as

plied by multi-storey facilities. The consequent local increase in further custom, employment, turnover, profits, rental, property values and central government taxation revenue could be described as "Car Parking For Prosperity." R.G.I. White, 180 High Street North, Dunstable, Bedfordshire

increases, car parking is multi-

less than a half-truth. David Kinnersley knows of the big improvement programmes, to agreed timetables, which have been settled, together with

tightening some requirements. Third, it is because the authorities realise the needs which have to be financed and met that they see no viable alternative to privatisation. It is clear that Government will expect much bigher standards from private bodies, which it does not have to finance, than from public bodies for which it is the ultimate

paymaster. Michael Carney, Water Authorities Association, "relaxing" obligations is much 1 Queen Anne's Gate, SW1

IN-FLIGHT MONEY-MAKER

Airline passengers will have indi-vidual telephone and entertainment facilities with a new system

The Integrated Entertainment and Services System (IFESS) will provide every passenger with a liquid crystal colour TV display, headset and keyboard. Through the aircraft's satellite communication system, they will be able to make telephone calls anywhere in the world.

They will also be able to choose from entertainment and information facilities including video games, video and audio channels, mail order shopping and business services.

AIRLINE INTEREST

Nearly 40 airlines have shown interest in the system since it was demonstrated at the recent Paris Air Show. It is now being demonstrated in the USA.

first systems will be fitted into aircraft in 1990. IFESS will be marketed

new company formed by Plessey and a major leisure and

share profits, Research has indi-tional centres, with engine data Plessey for military use.

the size of a Boeing 747 is about exclusively by SkyTrading, a \$1 million a year.

Plessey can also provide

cated that for an airline, the relayed to the airline's engi profit potential in an aircraft neering maintenance base.

managing director of Plessey Avionics and chairman of global positioning and engine SkyTrading, said IFESS was Passengers will pay for entertainment company. monitoring systems. Informa- well positioned to replace duty-services as they are used. The SkyTrading will provide the tion on location, height and free facilities as a source of equipment at no capital cost to speed would be sent to air airline income. Much of the the airline, with whom it will traffic control and airline opera- technology was designed by



An urgent Canadian order for ably short time.

class submarines Ojibwa, Onondaga and Okanagan.

timescale demanded, Plessey sought - and obtained - agree- of Canada." ment from the Royal Navy to divert three Triton boat-sets of its own to Canada,

The equipment was deliof the order being received.

Plessey export marketing submarine sonar systems has executive Nick Messinger said: been met by Plessey in remark- "We believe that the order, worth \$CAN8.7 million, repre-The three Triton systems sents the beginning of a longwere required for the Oberon term relationship with the Canadian submarine sérvice involving both Plessey Naval To meet the extremely tight Systems in the UK and its sister

company, Leigh Instruments

Plessey Naval Systems has been the major contractor for Royal Navy submarine sonars for more than 20 years and is a vered to the customer's UK recognised centre for the study representative within 17 hours of submarine acoustic performance for world navies.

Plessey has won a £4.5 million be launched late in 1990. It may the west coast of Scotland.

The contract was awarded Royal Aircraft Establishment, Famborough.

graphic, weather, ice and earth resources monitoring.

ready for the ERSI satellite to ground stations.

contract to build a satellite also be used in conjunction eround station at West Freugh on with the existing Landsat and SPOT satellites. Eventually, it is likely to play a role in the by the Ministry of Defence international space station and the station is for the Freedom and the European Columbus polar platform. Plessey recently won a

It will be the UK's first £50 million contract for the receiver station for high-speed Skynet Anchor programme. research data from oceano- These two major successes underline the company's emergence as the leading The station is planned to be contractor for UK satellite



PLESSEY and the Plessey symbol are made marks of The Plessey Company ple



FINANCIAL TIMES

Wednesday July 26 1989



Appeal for calm as Soviet unrest spreads

Quiet hero tackles the debt crisis

Peter Riddell, US Editor, weighs the considerable but sometimes

Nicholas Brady: quiet hero tackling a crisis

the ultimate victor of Aesop's

fable in his steady and pains-

taking approach.

Partly because he suffers

from dyslexia, Mr Brady often

prefers oral briefings from offi-cials to large written submis-

sions. In this way he prepared

himself thoroughly to address

two of the most pressing prob-lems facing the Bush adminis-tration — the deepening hae-

morrhage of the savings and loans crisis (the potential cost of which is largely unappre-ciated outside the US) and the

failure of the 1985 Baker plan to solve the Third World debt

crisis through providing new

In both cases the proposals were launched in a low-key

response. They have required a lengthy follow-up. He had to persuade Congress of the merits of imposing stringent financial standards on the savings

and loans industry in spite of strong lobbying for a more relaxed framework. A Senate/

House conference is now dis-

cussing a final version as

tough in outline as the Admin-

istration wanted, with the

main remaining, admittedly

significant, difference over how

the rescue plan should be

funded.

or the press.

Yet a fairer comparison

On debt, Mr Brady had to win the support of other indus-

might be between the hare and the tortoise. Mr Brady shares many of the characteristics of cial banks for a switch to a

strategy of debt reduction rather than ever increasing

debt. Despite considerable

scepticism, particularly from

some European finance minis-

ters, his plan has won interna-tional backing and is now

being implemented. There is,

of course, a long way to go even with Mexico before its

debts are reduced. But a start

Mr Brady has had to display the behind the scenes skills of a negotiator, rather than a

public performer, of the type he developed in his years at Dillon Read, the investment dealer. He was noted there for

maintaining client relation-ships rather than creating a global investment banking con-

thrift and debt crises has meant that he has said little

about the more traditional con-

cerns of a Treasury Secretary,

notably macro-economic pol-icy. The main spokesman in the endless negotiations with Congress on reducing the bud-

get deficit has been Mr Richard Darman, the Budget director. Similarly, Mr Michael Boskin,

the chairman of the President's Council of Economic Advisers,

has most frequently spoken for the Administration about the main economic indicators or in the debate with the Fed over

has been made.

By Quentin Peel in Moscow

AN URGENT APPEAL for unity and calm in the Soviet Union in the face of the latest outbursts of race riots and industrial unrest was issued yesterday by the Supreme Soviet, Moscow's revitalised national parliament.

The appeal came as ethnic tension in the republic of Geor-gia spread from the Black Sea coast to the capital, Tbilisi, and as Russian migrant workers in Estonia staged the first bla-tantly political strike since Mr Mikhail Gorbachev came to

power. However, it coincided with a steady return to work by tens of thousands of coal miners, from the Donets coalfield in the Ukraine to Vorkuta, in the Arctic Circle, after their demands for sweeping eco-nomic concessions were

The deputies of the Supreme Soviet, an assembly which looks increasingly like an alter-

R Nicholas Brady, the US Treasury Secre-

public figure. By personality (shy and slightly deaf) and background (old money Wall Street), he is self-effacing, at times inarticulate in public.

There are no jokes or memora-

Yet on Monday Mr Brady was in self-confident, even flu-

ent, form as he discussed the agreement between Mexico and its commercial bank creditors.

Saying it was up to others to judge what he had done and

paying full credit to his offi-cials and the largely unappre-

cizted contribution of the Fed-

eral Reserve, he argued that

the Treasury had played a "sig-nificant role round the clock"

in discussions with both sides.

be pleased since the Mexican deal represents an important

victory for the revised debt

strategy for Third World coun-

tries which he launched on March 10. Moreover, he and the

Bush administration have two

other victories almost within

their grasp - over the rescue

plan for the savings and loan industry, or thrifts, and the

long-debated cut in capital

As he approaches the first

anniversary of his appointment in the final stages of the Rea-

gan administration, Mr Brady

can balance these achieve-ments against the widespread

criticism he faced in his first

six months. He was accident-prone – publicly brush-

ing aside Japanese and Inter-national Monetary Fund

proposals on debt (though they

ater re-surfaced in parts of his

own plan) and appearing indif-ferent to the level of the dollar

at a time when it was particularly weak last November.

power-conscious Washington

was his floating of the idea of a

user fee on savings and loan deposits. This plan, seen as a tax, was quickly disowned by

the White House. At the same time Mr Brady was creating a bad impression on Capitol Hill

and with some of his fellow

So Mr Brady rapidly became labelled a "plodder" and "out of his depth" particularly in comparison with Mr James

Baker, his politically adroit

predecessor at the Treasury,

who never missed a trick in handling either the Congress

finance ministers.

Worst of all in the eyes of

Mr Brady had good reason to

ing party hierarchy, declared their support for "the legitimate demands of the working

people."
They also called on "all forces favouring radical economic reform, democratisation and glasnost (openness)" to unite in the face of the country's worsening situation. The situation in both Geor-

gia and Estonia appeared fraught yesterday. Reports from Tbilisi said thousands of armed Georgians were massing near the border of the autono-mous republic of Abkhazia, where 21 people have died in race riots between Georgians and the minority Abkhazians. So far Interior Ministry troops have prevented them from entering the region, according

to nationalist observers.

Meanwhile, three students
have begun a hunger strike in Tbilisi demanding national independence, after an 18,000strong demonstration through

hidden qualities of Treasury Secretary Nicholas Brady

In Estonia, the Russian backlash against nationalism finally took effect yesterday, when workers downed tools at the Tallinn ship repair yard and several other enterprises.

The strikers are openly making political demands, including the cancellation of the Estonian law on language, which requires all government employees, and many others, to be bilingual, and the abandonment of the draft law on elections which sets strict resielections, which sets strict resi-dence requirements for candi-dates and voters.

dates and voters.

It was not clear last night how much support the stoppage enjoyed. Mr Mikk Titma, the Estonian ideology chief, said the shipyard workers had decided to end the protest after a meeting which stopped work for most of the day. He told Reuters newsperieve that Rus-Reuters newsagency that Russian workers had tried without success to organise strikes at six or seven plants. Whatever the strength of

anti-nationalist feeling in Estonia, where non-Estonians make up 40 per cent of the population, resentment of the Beltic autonomy movements is running high in the Russian

The Supreme Soviet in Moscow yesterday promised urgent action on legislation to try to meet some of the flood of demands reaching the capital. The deputies confirmed they

The deputies confirmed they had agreed to spend an extra Rs10bn (\$15.9bn) on importing consumer goods and medicines – as promised by Mr Gorbachev last week.

They also promised top priority for new strike legislation and laws on genuine financial independence for work collectives, leaseholding rights for peasants and protection of citizens from abuses of power by

peasants and protection of cri-zens from abuses of power by the state and bureaucracy.

The deputies appealed for "understanding, support, organised behaviour and good deeds" from all Soviet people.

interest rate policy.

Mr Brady has never pres-

ented an economic vision or apparent long-term strategy. This does not, however, mean

that he lacks views or influ-

ence. He is concerned as anyone about the constraints
imposed by the large budget
deficit. For example in the case
of the revised debt strategy, a
US-led initiative has had to be

implemented in part with Japa-

Mr Brady wants to raise the low level of US savings and last week publicly regretted

the ending of tax incentives for individual retirement accounts. He has also been one of the

strongest advocates of a cut in

capital gains tax which may now be achieved thanks to the support of rebel Democrats. He

has also argued against protec-tionism and defended the pro-

cess of international policy co-ordination (strained this year but apparently vindicated by

the recent fall in the dollar).

The key point, however, about Mr Brady is his closeness to President George Bush.

Only five years apart in age

they share much the same

social background and atti-

tudes and can often be seen joking and gossiping together. At all the key economic meetings Mr Brady is present and they are said to talk on the telephone every dev. He was

telephone every day. He was one of the few at the top of the

Administration to warn of the troubles that Mr John Tower's

nomination as Defence Secre-

tary would face - reflecting the contacts which Mr Brady built

up in his six months or so as a temporary appointed senator

The President trusts Mr Brady for his advice and above all his loyalty. He has no ambi-tions for a long-term Washing-

ton political career. Earlier this

year Mr Bush strongly defended his Treasury Secre-

tary against his many critics.

When Mr Brady speaks, the

Mr Brady in many respects

epitomises one strong strand in the Bush team — its main-stream, non-ideological estab-lishment roots. He is about as

far as can be imagined from a zealot of the Reagan revolu-tion. Instead, he is a manager,

trying to cope with limited resources with the conse-

tion of the US in the world. It

is an unheroic role, but then this is an unheroic administra-tion.

President listens.



On the trail of the shy suspect in the suburbs

By Lionel Barber in Washington

IN the five days since ABC News first broadcast that Felix Bloch, a top US diplomat, was suspected of espionage, a bizarre sequence of events has unfolded.

On Saturday, the day after the State Department con-firmed Mr Bloch was the tar-get of an FBI investigation, the 54-year-old Austrian-born diplomat left Washington by car to stay with his family in the New York city suburbs followed by a caravan of FBI agents and Soviet embassy

personnel.
This week, various agencies of the US Government have leaked a stream of circumstantial evidence against Mr Bloch to the press and television.

to the press and television.

These range from the suspicion that the KGB first recruited him in 1974 when he served at the newly-opened US embassy in East Berlin, to the allegation that he was involved in shaping US policy on technology transfer to the Soviet bloc. Soviet bloc.

And yet, so far, Mr Bloch has neither been arrested, nor charged with any offence. Nor have the circumstances surrounding ABC's original disclosure that he was under sus-picion been adequately

Many theories are floating around Washington. Some fit the known facts better than Mr Bloch was a dour, effi-

nat who through out his 30-year career was never marked out as a star. In his last job, deputy chief of mission at the embassy in Vienna, he occupied the second-ranking job for an unusually long seven years - from

August 1980 to July 1987. When he transferred, he would normally have expected promotion to ambassadorial

Instead, he spent a year at a training course for senior dip-

In the Bush administration, he was given the reasonably senior, but by no means vital, job of director of the office of economic and political affairs covering Europe and Canada. President Bush disclosed

this week that he had known about the Bloch case "for some able that the US intelligence agencies may have known about it even longer, perhaps even stretching back to his days in Vienna, traditionally a hot-bed of East-West contacts

and espionage. They may even have left Mr Bloch in his post so long, in order to establish the level of his Soviet contacts. This theory has an added attraction. US officials, speak-

ing anonymously, said yester-day that the Soviets had tipped off Mr Bloch that he was under suspicion. Mr Bloch's KGB case officer

apparently telephoned the dip-lomat, saying: "A bad virus is going around and we believe you are infected." Once his cover was blown, his value plummeted, both for the Soviets and for the Americans. This may in turn explain

the leak last week to ABC

By hanging him out to dry in the public, the Government has made it harder to bring a criminal case against him, but it may increase the pressure on him to reveal the extent of damage to US intelligence and

his contacts with the Soviets. Mr Bloch, meanwhile, has responded in American fashion by hiring a lawyer and refusing to be questioned by the FBI, though he has submitted to a brief interview by State Department security officials. ● Chancellor Franz Vranitzky of Austria said yesterday that Mr Henry Grunwald, the US Ambassador, informed him about the investigation against a high-ranking diplomat suspected of spying while in Vienna two weeks before it became public, AP reports

from Vienna. They had agreed not to go public so as not to endanger the investigation against Felix

THE LEX COLUMN NatWest pays the price

The tradition of resignation by senior managements whose conduct falls below par is not well developed in the UK, so the departure of three of the most senior executives of National Westminster Bank is a welcome development. UK clearing banks are an over-protected bunch, and their managements have in the past been agements have in the last been guilty of enormous errors of judgment without paying the penalty. Bank managers are rarely ever sacked, except when they are caught with a hand in the till; so the sight of three very senior bankers and their boss walking the plank must give a sense that justice has been done.

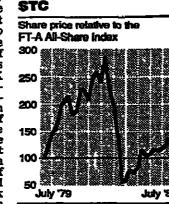
has been done.

In some respects it is a ritual sacrifice. It makes the regulators, led by the Bank of England, look rather powerful, and helps restore the City's tarnished public relations image in the rest of the country. try. Lord Boardman has only brought forward his retirement by a few months and the rest of the executives were near the end of their hanking careers. It is easy to fall into the trap of thinking that the clearing banks are such dull, plodding institutions that more than a third of a bank's executive directors can be removed overnight without harming operations. The faces may change, but the institution

This a rather naive conclusion. Apart from the rare occasions when a major bank has had to be rescued, this sort of bloodletting on the top man-agement floor is unheard of in an international bank of Nat-West's size and reputation. While the impact on the bank's day to day operations will be minimal, the effects on busi-ness morale are more difficult to quantify. If it makes a conservative management team behave even more conserva-tively, it will permit Barclays to consolidate its leadership position. This may be what the Bank of England wants, but it is not the sort of background

STC side-stepped rather pee-vishly yesterday the one ques-tion to which everybody wants the group is firing on all cylinders: British Telecom asking for £150m-worth of transmission systems, the Pentagon thinking about STC undersea cables to detect Soviet submarines and Spanish civil servants sold on ICL mini-comput-

But beneath the surface of yesterday's 15 per cent earn-



ings per share increase were warning signs: not critical, but enough to sharpen the stock market's eagerness for an announcement that STC has found a European partner to ensure ICL's future. STC spent £120m on research and devel-opment in the first half, about 13 per cent of turnover; strong cash flow and financial controls mean it can manage that comfortably for now, but the 1990s may well be another mat-

Strip out STC's two recent US acquisitions, CCI and Data-checker, and ICL's turnover grew roughly 8 per cent to about £700m in 1989's first six months. Given that Europe's other mainframe manufacturers have been hitting much choppier waters, this is testimony to ICL's wise targetting of specialised customers such as local authorities or financial institutions. But even ICL's above-average operating mar-gins are slipping, from about 9.5 per cent in 1988 to around 8.5 per cent now, despite tight cost-control. The worry is that this margin squeeze suggests more trouble to come, in a world where industry-wide standardisation is increasingly turning mainframes into com-

Something funny is up with the rich. Sotheby's and Chris-ties report sales up by two thirds and signs of further rises to come: the up-market estate agent, John D. Wood, has cut its dividend, and will be lucky to make any money this year at all. Hard as it is to believe, the macro-economy seems to have nothing to do with the art market; high interest rates may deter the person with £500,000 to spend on a flat, but do not discourage the person wanting to spend £20m on a painting or £55,000 on a single golf club. The very rich evidently can

afford these sums, and there may be enough money out there to push prices even higher – at least the stockmarket believes as much. The auction houses' shares have exceeded even their astronomical earnings growth, with both companies getting a rerating. Sotheby's, floated on about 11 times earnings just over a year ago, has risen more than threeago, has risen into that threefold and now commands a p/e
of 14. Christies – which some
consider a likely bid candidate
– is on a multiple 2 points
higher still.

The art market may be able - 430 A

to escape economic cycles, but that does mean it is not subject to its own equally damaging ups and downs. It is dangerous to conclude that the new broad range of collectable art works. and enthusiastic investors makes the market resilient, as the range is surely a directcon-sequence of the rise in prices creating extra demand and new sources of supply. Should the market turn, art collecting could stop being fashionable and those 99 out of 100 US millionaires who apparently have not yet become art collectors may be happy to keep it that

US taxation

The latest proposals on US tax for foreign companies look capable of provoking a first class row. They also seem out to make life very difficult for such as Sir James Goldsmith. The idea is that a foreign company selling a US subsidiary would have a 30 per cent with-holding tax slapped on the pro-ceeds. So much for Sir James's plans to sell off Farmers, Saks and Appleton Paper; so much, too, for a host of European companies from Grand Metropolitan to Hoechst and Unilever, which have made big US acquisitions in recent years and might feel like selling bits off in future.

Taken with the related plan

to stop tax-deductible interest payments from US subsidiaries to foreign parents, the propos-als aim to eliminate supposed tax advantages which make it easier for foreigners to snap up US corporations. They also aim, of course, to narrow the budget deficit; the snag is that if they discouraged inward investment, they would widen the balance of payments deficit at the same time. The propos-als are still tentative and unclear: but if - as seems likely – they are taken to vio-late principles of double taxa-tion and extra-territoriality, they could put earlier rows over unitary taxation in the

UK business confidence 'lowest for 7 years'

By Simon Holberton, Economics Staff, in London

CONFIDENCE over the outlook for UK business has fallen to its lowest level for nearly seven years and manufacturers have substantially reduced plans for investment, the Confederation of British Industry said yesterday.

terly industrial trends survey ary surge in home demand, has pointed to slackening demand begun to have a pronounced

but relatively robust, if reduced, output growth. Optimism for exports has recovered but only slightly.

The findings are the first unambiguous evidence that the

Government's present policy of high interest rates, with the The CBI said its July quarobject of curbing an inflation-

effect on industry.

was necessary. Manufacturers' investment

Among larger companies the current account and infla-(those employing 5,000 or tion will take longer."

three months ago.

The survey indicates that last year's high levels of growth in demand and output were abating, although the for-mer more so than the latter. A rise in stocks has been the main consequence of this, the survey provides scant evidence of manufacturers looking abroad for markets.

Mr Edward Britton, UK economist at Morgan Grenfell, said

BERKELEY GOVETT & COMPANY LIMITED

1989 INTERIM RESULTS

Revenues	US \$27.7m	+18%
After Tax Profit	US \$16.2m	+16%
Earnings per Share	20.7 cents	+15%
Interim Dividend per Share	6.0 cents	+20%

To obtain a copy of the 1989 Interim Report contact Dr. Jay B. Morrison, Chief Financial Officer on 0534 38578.

WORLD WEATHER

The Treasury said the results of the survey showed the effects of high interest rates and were to be expected. It took particular cheer from the recovery in expectations for exports, evidence of an easing in the constraints on industry's capacity to produce and an apparent stabilisation in industry's costs and price pres-

Mr David Wigglesworth, chairman of the CRI's eco-nomic situation committee, said he agreed with the Gov-ernment that reducing inflation was the main priority, but high interest rates were harmful to investment and should not be maintained longer than

intentions have been hit hard since the CBI last surveyed them in April. In the latest survey there was only a net 3 per cent of companies planning to increase capital expenditure within the next 12 months, compared with a net 18 per cent in April

more) the collapse in invest ment intentions was more dra-matic. A net 4 per cent planned to boost capital spending in the coming year against 50 per cent who planned to do so just

A particular feature of the survey is the continuing strength of the UK's consumer

goods industries compared with the gloom which appears to have enguifed capital goods industries. On almost every measure the consumer goods industries appear to be boom-

the survey "reveals that the Chancellor's aims to slow the economy have been fulfilled but that the improvement in

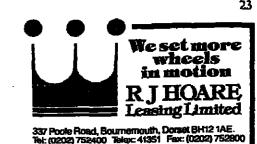
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FINANCIAL TIMES COMPANIES & MARKETS

Wednesday July 26 1989



INSIDE

Retailers' discount share swap blocked



A shake-up of Japan's overcrowded food retailing sector looks likely to go ahead following yesterday's injunction blocking a share exchange plan by two supermarket operators. They aimed to detend hemselves against unwanted approaches from Shuwa, the fastgrowing private Japa-

nese property and supermarket group headed by Mr Shigeru Kobayashi (left). The judgment could also make it easier for outside interests to penetrate the tight shareholding arrangements that have protected Japanese compa-nies from hostile takeover bids, writes lan

Woolly thinking in Australia

Wool is, along with coal and tourism, one of Australia's most important exports, but sharply increased production — a reflection of the guaranteed high prices for growers — is now meeting seriously weakened demand, notably from China and Japan. And, at the beginning of the country's 1989-90 wool-selling season, it is already clear that the price paid by the Australian Wool Corporation under a scheme to prolian Wool Corporation under a scheme to pro-tect wool growers from the full impact of price fluctuations is out of line with market conditions. Chris Sherwell reports. Page 34

Recovering from scandal

Brazilian share prices have recovered some ground after their 54 per cent plunge in early June in the wake of a stock market scandal. Trading is not entirely trouble-free, however, the absence of frantic speculative activity has cut turnover severely. And investors' confidence in the stock exchange remains bruised, writes John Barham, Page 46

Sharp fall for Mobil

Mobil, the large inte-grated US-based oil company, reported a sharp drop in second

quarter earnings, which it attributed to a loss on the sale of its South African operations. Net income for the three months ended June 30 fell 23 per cent to \$401m, or 98 cents a share, from \$519m, or \$1.26, a year earlier, on flat revenues of \$14bn. Page 25

Boots puts the boot in

Boots questioned the foundations of the profits forecast made by Ward White, the retailer that is the subject of its £800m (\$1,280m) bid, in a circular posted yesterday to Ward White's shareholders. The questions focused on the lack of a breakdown of the profitability of indies or the level of non-trading profits in the forecast, which predicted a 19 per cent increase in pre-tax profits to 238m for the six months to July 31. Page 32

Big Store on the up

Sears, Roebuck, the world's largest retailer, reported an increase in second-quarter income yesterday after gains in all its divisions and the sale of the Coldwell Banker real estate group's commercial section. Page 25

Market Statistics

Dans budles were
Base lending rates
Benchmark Govt bonds
European options exch
FT-A Indices
FT-A world indices
FT int bond service
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World stock roke indices
UK dividends announced

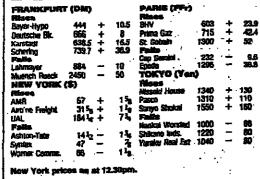
National Home Loans

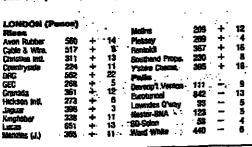
Companies in this section Moison Mosaic Inves



Neste Nestor-BNA Newgateway Nynas Petroleum Radius Red Funnel Group Royal Bank Scotland Sally UK Holdings Salomon Brothers Sears Roebuck Sheafbank Prop Tst Gateway Goode Durrant Hispano Americano Snuwa Sleepy Kids Smith & Nephew St Modwen Properties Tinsley Robor UBS USX 33 USX 25 Updown Invest 25 Ward White Menvier-Swain Group

Chief price changes yesterday





US plan to tax foreign buyers

US CONGRESSIONAL committee is considering a pro-posal, which has the tacit approval of the Bush Administration, that would impose new taxes on foreign buyers of US companies — a move which could affect the proposed £13bn (\$21bn) takeover of BAT Industries, the UK conglomerate.
The proposed Bill would

The proposed Bill would impose a 30 per cent withholding tax on the sale proceeds when US subsidiaries acquired by foreign companies are then disposed of In the case of Hoylake, the vehicle bidding for BAT, the tax could affect the subsequent sale of BAT's US subsidiaries, such as Farmer's Insurance Farmer's Insurance.

However, Hoylake's advisers said yesterday that the proposal had not affected its plans. This is because it expects the final Bill

7 Ecumilion

Cross-border acquisitions in Europe

Jan 1989 Feb

FRANCE, the US and Britain

were by far the most active acquiring nations in European

trans-border takeover activity

during the first half of this year,

according to a survey.

French companies topped the list, buying businesses in other

European countries worth Ecu4.15bn (\$3.81bn), compared with Ecu3.61bn for the US and Ecu3.29bn for the UK. However,

Britain was also the most popular target country for bids,

receiving a total valued at

The survey, by The 1992 M&A

Monthly, a specialist publication, found that the scale of cross-bor-

der mergers and acquisitions

made by British companies in

Europe in the first half substan-

tially exceeded takeovers of UK

firms by acquirers from other

Number of deals

Value of deals

(110)

Apr

96

France tops European

cross-border mergers

By Guy de Jonquières, International Business Editor

to allow existing tax treaties to continue in effect and thus disallow capital gains taxes on for-

The measures are contained in a House Ways and Means Com-mittee Bill designed to raise some \$5.3bn in revenues without imposing any "new taxes," as promised by President George Bush in his electoral campaign. Although the proposals did not come from the Bush Administra-tion, a draft of the Bill has been

non, a drart of the full has been presented to the US Treasury and no objections were registered.

The Bill is currently in the "mark-up" phase, the last stage before being presented to the full committee for a vote. The Bill's passage is also made more likely as it has been approved by a a bi-partisan committee of both houses of Congress. It is intended

to take effect in fiscal 1990. Staff of the Joint Committee on Taxation, the hi-partisan commit-tee, said that the tax proposals

tee, said that the tax proposals stammed from concern that corporate takeovers by foreigners pose dangers to the US economy, both from a revenue and a competitive point of view.

"There is definitely the feeling that the US tax structure provides benefits to foreigners that it does not to US investors," said a senior staff member. "This is an effort to level the playing field."

One proposal would impose withholding taxes on foreigners' sales of stock in a US corporation if the seller owned more than 10 if the seller owned more than 10 per cent of that company. Until now, foreigners have paid no tax in the US on profits from sales of investments. However, they have been subject to tax in

In contrast, American inves-tors earning a capital gain are not subject to any withholding tax but must pay capital gains.

The other proposal - known as
the "earnings stripping" rule would treat some interest payments that US corporations make

on loans from foreign affiliates as dividends, ending tax deductions now available for them.

Critics of the proposed taxes argue that they contradict the grifts of a victims IIS tax treaties. spirit of existing US tax treaties with foreign Governments and that they will discourage needed foreign investment in the US. The proposals are merely a sop to the anti-foreign investment mania that is sweeping some cor-ners of US business, they argue. Lex, Page 22; Background, Page

Texas Eastern may ditch Enterprise deal

TEXAS EASTERN, the US gas transmission company, may pull out of a \$961m deal to sell its UK oil and gas subsidiary to Enterprise Oil, the UK independent oil company, unless the sale can be consummated by the end of this month.

Panhandle Eastern, which

acquired Texas Eastern in an agreed bid in February, is understood to be examining options to auction the assets piecemeal. This would circumvent the legal and commercial difficulties that have arisen through trying to sell the subsidiary as a whole unit. Provisions of the sales agreement, signed on March I, allow either company to withdraw if the sale is not completed by July

The transaction has been stalled in the courts for nearly two months after Amerada Hess, the US oil company, and British Gas, which are partners to Texas Eastern, exercised options, known as pre-emption rights, to purchase the UK subsidiary, Texas Rastern North Sea (Tensi), under the same terms agreed with Enterprise.

A Court of Appeal ruled last week that Enterprise, British Gas, and Amerada would have to divide the shares of Tensi three ways according to the licences which they share with Texas Eastern. A lower court was to determine how to carry out this valuation and division of shares

Unless the court moves to make a more or less arbitrary division of shares, the valua-tion process itself could turn out to be an extended affair.

The valuation of oil assets is a controversial procedure, and would be heavily influenced by about future exchange rates and oil prices, about which there is no consensus.

Enterprise also says it expects to launch an appeal to the House of Lords in an attempt to overturn the Court of Appeal's ruling. Faced with the prospect of

an extended wrangle before the affair is resolved and it receives its money, Texas Eastern is looking at options to terminate the deal.

These options, however, could also involve substantial complications and delays, leading some to conclude it would be a last resort.

Should Texas Eastern attempt to sell the assets piece-meal, possibly in small packages of licence interests, it could incur additional tax lia-bilities, although it is unclear precisely how large these The auction itself would be

time consuming, and involve 60 day notification periods individual asse which partners would have the right to pre-empt agreed Some analysts believe a piecemeal sale could actually

yield a higher total price for Texas Eastern because of the large number of oil companies that might be interested in bidding on smaller parcels of

Enterprise, Amerada, and British Gas are understood to be examining ways of satisfy-ing Texas Eastern's immediate needs in order to keep it from pulling out.



STC in talks on joint ventures

By Hugo Dixon in London

STC, THE UK electronics group, said yesterday it was in talks with European partners about forming joint ventures for its ICL computer subsidiary and its tele-communications division.

The group also confirmed that it was forming a consortium with US West, one of America's "Baby Bell" talecoms operators, to bid for one of the UK's new personal communications licences, the next generation of mobile service. At present, STC and US West have roughly half shares in this consortium, but two further partners are likely to be announced this week.

The announcement of the new consortium was made by Mr Arthur Walsh, STC's chairman, as he revealed a 12 per cent increase in earnings per share to June. Pre-tax profits grew 14 per cent to £114.6m (\$183.4m), while turnover increased 15 per cent to

These results, which were at the top end of expectations, were achieved on the back of strong growth in the telecoms division and a solid performance by ICL.

"The company that appeared to get everything wrong in 1985 has now emerged as the shining and ultra-successful telecoms player," commented Mr James Dodd, an electronics analyst at Kleinwort

policy of alliances and joint ven-tures. "We will enter joint ven-tures for ICL or parts of ICL, but I won't go into any more details." Mr Walsh said the group also saw a need to do joint ventures in Europe in telecoms. STC last month formed an alliance with SAT, a French telecoms manufacturer, and is keen to do similar deals in other countries STC's telecoms division was

the main force behind the result, producing operating profits of £44.4m (£36.0m) on turnover of £322.5m (£284.7m).

Growing sales of cables and special transmission networks, called flexible access systems, contributed to the performance. ICL's profits grew to £63.1m (£58.4m) on turnover of £772.9m (£646.9m). Half the increase in its internal growth and half to the acquisition last year of Datacker and Computer Consoles,

two US companies. STC's third division, Components and Distribution, produced profits of £14.3m (£11.3m) on turn-over of £180.5m (£174.1m).

The results were achieved during a period when STC increased spending on research and devel-opment by 35 per cent to £120m. The directors signalled their confidence in the full-year performance by increasing the interim dividend 25 per cent to 3.75p. Lex, Page 22

Restructuring moves lead to loss of nearly \$½bn at Control Data

It also found that British com

panies made more cross-border acquisitions in Europe during the

period than those from any

country except France and the

men that the leniency of takeover rules in Britain makes it easy for

continental buyers to acquire

companies there, while British bidders are effectively locked out of many Continental

According to the survey, the number and value of British

acquisitions in three countries

which are notoriously resistant to hostile bids - West Germany,

the Netherlands and Switzerland were far greater than those made in the UK by companies

Details, Page 24

markets.

The findings contradict recent

By Roderick Oram in New York

CONTROL DATA, the stricken US computer hardware and services group, has reported a sec-ond-quarter loss of nearly \$1/2 bn as a result of restructuring

The Minneapolis-based com-pany pulled out of the supercom-puter business earlier this year at a cost of \$35m, cut its computer products business — mainly its mainframe computer manufac-ture – and reduced corporate staff.

Control Data said yesterday that the total cost of the restructuring was \$493.8m, partly offset by a \$17.8m gain on the sale of a idiary to make a net cost of \$476m, in line with its estimates.

As a result, Control Data has run up a net loss for the second quarter of \$497.3m, or \$11.79 a share, against a net profit of \$9.2m, or 22 cents, a year earlier. The subsequent first-half loss was \$493.8m, or \$11.75, against a profit of \$16.9m, or 40 cents. Revenues were \$804.3m for the

quarter, compared with \$951.7m a year earlier and \$1.65bn against \$1.85bn for the half year. Before the charges, Control Data turned a \$24m pre-tax loss for the second quarter with deficits from its computer products and VTC "semiconductor operations only partially offset by profits from its Imprimis disk drive operations and other activi-

ties, including information services and energy management.
The restructuring continues. Control Data is in the process of selling Imprimis to Seagate Technology, a rival disk drive maker. It will receive \$250m cash, a \$50m note and an 18 per cent equity stake in Seagate. Last week it said it had found a buyer for an 80 per cent stake in its training and education business

Mr Robert Price, chairman, said that, with the restructuring actions largely behind it and an amended credit agreement in place, the company could concentrate on ongoing businesses and work to achieve a profitable second half.

Art market's growth continues

By Edward Sussman in London

THE INTERNATIONAL art market has had its third excep-tional year of growth, and, say the big international auction houses, there is no sign of any weakening in demand.
Christies International said sales for the 1988-89 season end-ing this month had grown by 62 per cent to exceed film (\$1.6bm)

for the first time. Sotheby's Holdings reported a 58 per cent surge in pre-tax income for the six months to June 30. The art market's strength comes as interest rates across the world have risen, and when demand for other real assets has weakened. Mr Christopher Dayidge, Christies' manager director, said demand was spread over an increasingly broad range of objects, and cited a toy train col-

lection which recently fetched \$1.25m (\$2.02m) as an example.

During the year, Christies sold 147 works of art for more than

Collectors' willingness to com-

mit ever larger sums of money to the art market has surprised outsiders. Shares in Sotheby's, which were floated in May last year at about £4.50 a share, have been one of the en one of the London stock market's strongest performers this year, closing yesterday at £13.95. Christles' shares, which have risen strongly this year on the basis of bid rumours, rose 13p

to 311p yesterday.
The US contribution to Christies moved ahead to 50 per cent, compared with 40 per cent in the last season. Salesrooms throughout the world showed progress, said Lord Carrington, Christies' chairman. "In general terms, we are expanding our operation in an ever strengthening market," he added.

In the New York area, Christtes said turnover doubled to £519m from £255m last year, while in London sales were up 41 per cent to £338m from £239m. Salesrooms in Hong Kong and Australia also more than doubled

The group said it was expanding its facilities in London, Paris and Hong Kong.

Sotheby's said its first-half pre-tax income of \$90.91m compared with \$57.72m for the same period last year, on operating revenue of \$220m from \$158m, represented an outstanding first six months. Second-quarter auction sales rose 69 per cent to \$1.1bn. Sotheby's said this was the first time any auction house had exceeded \$1bn in a single

Net income was \$56.37m compared with \$36.65m, and earnings per share, on a post split basis, were 99 cents, up from 66 cents last year. The board declared a regular dividend of 5 cents per

Mr Michael Ainslie, Sotheby's chairman, said the group's finance and real estate operations had also gained, moving to operating profits of \$2.8m from losses of \$1.7m a year earlier. Lex, Page 22

The Committee of the Committee of FOCUS ON THE U.S.

Mr Walsh said STC had a clear

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FT 213

Total cross-border deals

86.0

68.6

160.0

27.5

45.6

24.0

15.0

101.0

91.0

52.3 90.5

65.5 47.5

9.0

Six months to June 1989

% of total

26.9

21.3

6.9

4.9

3.4

1.9

14.9

11.5

7.0

3.3

INTERNATIONAL COMPANY NEWS

Improved margins bring 35% advance at Ence

By Peter Bruce in Madrid

EMPRESA NACIONAL de Celulosas (Ence), the big Spanish pulp and paper producer, yesterday reported pre-tax profits of Pta4.6bn (\$38.4m) for the first half of 1989, an increase of 35 per cent p on the

same period last year. Ence, the world's largest producer of eucalyptus pulp, said sales in the six months had risen by 4.5 per cent to Pta21.5bn, more than 60 per cent of which was accounted for by exports.

INI, the state industrial holding company, owns about 55 per cent of Ence with the bulk

Hispano

By Peter Bruce

Americano

40% ahead

BANCO HISPANO Americano,

one of Spain's big six commer-

cial banks, made parent bank pre-tax profits of Pta22.05bn (\$184.2m) in the first half of

this year, a gain of 40 per cent

on the same period of 1988. Consolidated group pre-tax

profits rose 22.5 per cent to

Hispano, which recently

agreed to acquire 5 per cent of

West Germany's Commerzbank

for some \$74m, said net inter-

est income at the parent rose

Like most Spanish banks, Hispano has been lending

heavily to consumers this year, and its total loan portfolio rose

22 per cent to Ptal.400bn while

customer deposits rose only

11.5 per cent to Pta1,800bn.

GEF in Agefi deal

GROUPE Expansion Finances,

the French financial publisher,

has raised its stake in the

Agefi Development publishing

group to 68 per cent through

the purchase of an additional

18.5 per cent stake from Compagnies Europeennes Reunies

Cerus, the French holding company of Mr Carlo De Bene-detti, the Italian businessman,

bought 18.7 per cent of GEF

(Cerus), Reuter reports.

13.7 per cent to Pta61bn.

of the rest of the shares freely traded on the Spanish stock markets.

The company has been able to improve its profit margins dramatically in the past 18 months following the disposal of a paper plant to Torras Hos-tench and an ageing pulp mill to Scott Paper of the US. Profit on sales has more than doubled from the 9.3 per cent recorded in 1987.

The disposals came as the group, which once toyed with becoming a fully diversified paper producer, began a retreat from this strategy to concentrate on becoming a specialist pulp producer, using a rapidly growing eucalyptus resource in

Fast-growing eucalyptus trees produce a short fibre pulp that is gaining popularity with paper-makers because it is easier to dry. Spain and Portugal are the only eucalyptus producers in Europe though most plantation owners, except Ence, use their pulp to feed in-house requirements.

Ence made net profits of

Pta5.6bn last year and analysts believe these will rise to nearly Pta7bn this year.

Neste to acquire 50% of Nynas Petroleum

By Joseph Mann in Caracas

NESTE, the Finnish national oll company, is to acquire the 50 per cent shareholding in Nynas Petroleum held by the Axel Johnson group of Sweden and the Swedish Investment

News of the deal was made public in Caracas by Vene-zuela's national oil company, Petreleo de Venezuela SA (PDVSA), which owns a 50 per cent shareholding in Nynas and which declined an option to purchase the remaining

AB Nynas Petroleum owns

two oil refineries in Sweden and another in Belgium. It also operates a distribution network for lubricants and asphalt products in Western Europe. The Axel Johnson group held 27 per cent of Nynas shares while the Swed-ish Investment Bank had 23

In 1986, PDVSA purchased its 50 per cent in Nynas from the Axel Johnson group for SKr153m (\$23,5m). PDVSA also has major interests in oil refin-ing and distribution systems in

Länderbank considers increase in dividend

INCREASED second-half profits are expected by Oester-reichische Länderbank, and the bank, Austria's third big-gest, may increase its dividend,

Renters reports. Mr Gerhard Wagner, managing director, said yesterday that Länderbank had increased partial operating profit in the six months ended June, 1989 to Sch397.1m (\$29.6m) from Sch330m in the same period last_year.

"I'm optimistic that we can continue to perform fairly well in the rest of the year and will attain a noticeable increase in all our profits." He added that the bank was considering an increase in dividend. Shareholders have received 12 per

cent for the past four years.
"If possible we would like to increase this by 1 or 2 per cent, but we would not be giving details of any change until the autumn."
Länderbank's balance sheet

total rose 3.7 per cent to Sch221.7bn at the end of June, from Sch213.9bn at end-1988. Mr Wagner said the bank planned to expand overseas by opening an office in Los

puts parcels unit into liquidation

By John Thornhill

EAGLE TRUST, the UK mini-conglomerate, is putting Eagle Express, its troubled parcel delivery subsidiary, into liquidation and writing off losses of up to £35m (\$56.7m) on the business. Eagle Trust only acquired the parcels company in April last

The decision to liquidate was taken by Mr Malcolm Stockdale, Eagle Trust's new chairman and chief executive just six weeks after the resignation of Mr John Ferriday, the former chief executive.

Mr Stockdale said that Eagle Trust's involvement with Eagle Express had obviously proved to be a bad decision. However, he added there was no suspicion of any ille-gality. "There is nothing to indicate that anything has

gone missing," he said. Mr Stockdale became chairman of Eagle Trust in May after Iroquois Brands, the US conglomerate he chairs, bought a 12.9 per cent stake. The liquidation decision followed an independent report commissioned from accountants Peat Marwick into the group's finances.

Eagle Express - previously known as Connect Parcel Dis-

ributions – began trading in February 1987.
At the end of 1987, Eagle Trust made unsecured cash edvances of £12.2m to the parcels company and in April 1988 it bought Eagle Express's entire share capital for 286,000. Further advances were made during 1988 but in December it was decided to close Eagle Express. Since then, Eagle Trust effectively advanced a further £2.4m.

Eagle Trust said it was too early to assess the overall financial effect of the liquida-

But it added that the accumulated losses of Eagle Express were approximately \$35m and that it did not expect to recover this money. Eagle Trust expects to release its annual results by the end of August. It will then apply to the Stock Exchange to have its shares relisted. They

were suspended in May at 18p. sitions after the UK. When

Eagle Trust | Europe steps up the M&A pace

4,149.3

3,614.9

3.286.8

1,070.8

756.7

531.6

300.1

219.6

2,038.8

310.0

205.7

179.9

Guy de Jonquières on the rising tide of cross-border mergers

Acquiring nations

Total cross-border value

ltaly

Japan

W.Germany

Denmark

W.Germa

Portugai

place, just behind Italy.

of French companies.

ŲK

Target nations

Ecu 15,437.5m

he strength of cross-border mergers and acquisitions activity in western Europe is underlined by a survey which finds that almost 600 deals with a total disclosed value of Ecul5.4bn (\$16.6bn) were made in the first half of this year.

The survey, by the 1992 M&A Monthly*, a specialist publica-tion, finds that activity was particularly intense in June, which saw 124 deals with a recorded value of Ecus.2bn. That figure was inflated by a few very large deals, notably the Ecul Sbn purchase by BSN of France of RJR Nabisco's European food subsidiaries.

The survey also shows that cross-border M&A in Europe was overwhelmingly an intra-European affair in the six months. Deals made by acquiring companies of European origin were worth Ecull.3bn, while American acquirers made deals worth Ecu 3.6bn. The total value of deals was probably somewhat higher, since the prices of many

closed. Comparisons with earlier periods are not available, since this is the first year in which 1992 M&A Monthly has compiled detailed information on

smaller ones have not been dis-

trans-European deals.
While almost every part of
Europe has been affected by
the wave of cross-border M&A. the pattern of transactions var-ied sharply between industries and countrie

Food and food retailing saw the most vigorous action, generating 53 deals worth Ecu3.59on, while the value of deals in banking, construction and building materials and insurance also exceeded Eculbn. By contrast, there was very little activity in leisure, hotels, energy, white goods and

Among major European countries, the survey high-lights the following: France: French companies

were by far the most active acquirers, making 86 purchases in the rest of Europe with a total value of Ecu4.1on. Though 91 French companies were bought by foreign acquir-ers, the total value of such deals was only Ecu2.3bn. Nonetheless. France was the second most popular target country for cross-border acquinon-European acquirers are excluded, France ranks in third UK much the most popular target for European acquisitions

The 1992 M&A Monthly sug-gests that France's large econ-omy and continental location might make it an even more popular target for foreign acquisitions than the UK, were it not for evidence of local resistance to foreign takeovers Ecu2.76bn.

Britain: Total foreign acquisttions of UK companies amounted to Ecu5.96bn in the half year, almost three times the value of foreign acquisitions in France and nearly twice the value of British acquisitions elsewhere in Europe.

However, the figures offer no support to those in Britain who complain that lack of takeover reciprocity makes it much easier for companies from other European countries to buy firms in the UK than the other way round.

Roughly half the value of acquisitions in Britain was accounted for by companies from the US (Ecu2.6bn) and Japan (Ecu371.8m), making the by companies from these coun-

When purely intra-European deals are taken into account the value of British acquisitions in the rest of Europe, at Ecu 3.29bn, comfortably exceeded foreign acquisitions in the UK, which totalled

Nor did UK companies lag their continental competitors in the race to acquire within Europe in the first half of this year. Measured by value, only French and US companies were more active, while British com-panies were, by a huge margin, the biggest foreign acquirers in both France and West Ger-

many.
British companies also made almost twice as many acquisitions in other parts of Europe as did French ones. But the average value of UK deals, at Ecu20.5m, was less than half that of French acquisitions. The largest UK deals in Europe were Advanta's acquisition of 10 per cent of Philipp Holtzmann, a West German construction company

chases of minority stakes in LVMH and Christian Dior of France (Ecu 604m), and Heron International's acquisition of 40 per cent of Spain's Torcovir construction group (Ecu130m).

West Germany: The survey finds, contrary to widely-held opinion, that foreign acquisitions in Germany have been running at a high level. Indeed, in the first half of this year, it was the fourth most popular country among foreign acquir-ers, which made more than 90 deals there worth Ecul. 77 bn.

deals there worth Echi. 7 th.
In striking contrast, however, German companies have
been extremely timid about
acquiring elsewhere in Europe.
They made 46 deals worth only
Ecusion, less than the value of
cross-border acquisitions by
companies from Sweden. Fincross-border additations by companies from Sweden, Fin-land or Japan. Furthermore, more than half these deals by value were in one country,

The imbalance between inward and outward acquisitions was more pronounced than in any other country. While the former deals have been partly stimulated by sales of private companies in advance changes in capital gains tax, the reluctance of large German companies to acquire elsewhere in Europe remains unexplained.

Japan: The survey confirms other indications that Japanese acquisitions in Europe are edging up gradually, though their scale remains modest - particularly in relation to Japan's investment surpluses.

In the first half of the year, Japanese companies made 15 acquisitions in Europe, with a disclosed value of Ecu531m. More than half that amount

was accounted for by three deals: Bank of Yokohama's Ecul43m takeover of British merchant bank Guinness Mahon; Kao's Ecu128m pur-chase of 75 per cent of Gold-well, a German hair care company; and Mitsubishi Corporation's Ecu 76.5m acquisition of two British food companies, Princes and Trex.

*The 1992 M&A Monthly: 730 Fifth Avenue, Suite 1906, New York, NY 10019. Tel: (212) 265 7990. 99 Bishopsgate, 21st Floor, Landon EC2M 3XD. Tel: 01-821 6166.

This announcement appears as a matter of record only

THE REPUBLIC OF TURKEY

(Türkiye Cumhuriyeti)

DM 400.000,000 73/4% Deutsche Mark Bearer Bonds of 1989/1996

Issue Price: 100% - Interest: 71/% p.a., payable annually in arrears on July 26 - Redemption: on July 26, 1996 at par - Denomination: DM 1,000 and DM 10,000 - Security: Negative Pledge Undertaking - Listing: Frankfurt Stock Exchange

> COMMERZBANK AKTIENGESELLSCHAFT

AMERICAN EXPRESS BANK GMBH

BANCO BILBAO VIZCAYA DEUTSCHLAND

BANQUE BRUXELLES LAMBERT S. A.

BANQUE INTERNATIONALE A LUXEMBOURG S. A.

CAPITAL MARKETS GMBH

BAYERISCHE HYPOTHEKEN-UND WECHSEL-BANK

BHF-BANK

CREDIT LYONNAIS SA & CO

(DEUTSCHLAND) OHG

DAIWA EUROPE

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CITIBANK

BAYERISCHE VEREINSBANK

AKTIENCESELLSCHAFT CHASE BANK

CREDITANSTALT-BANKVEREIN

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SOCIETE GENERALE -ELSÄSSISCHE BANK & CO WESTDEUTSCHE LANDESBANK **GIROZENTRALE**

(DEUTSCHLAND) AG

YAMAICHI INTERNATIONAL (DEUTSCHLAND) GMBH

T. C. ZIRAAT BANKASI

This announcement appears as a matter of record only.

\$600,000,000

Non-Recourse Project Financing

Intercontinental Energy Corporation

a Massachusetts corporation wholly owned by

The Roy Family

for the development of the

Bellingham, Massachusetts

Sayreville, New Jersey Cogeneration Projects

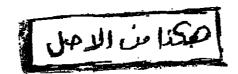
Proceeds from this financing will provide 100% of the funds required to build two 300MW gas-fired cogeneration plants. These projects will be "Qualifying Facilities" under the Public Utility Regulatory Policies Act.

The undersigned acted as a financial advisor to Intercontinental Energy Corporation in connection with the development of the financing plan, the negotiation of project contracts and the arrangement of the above financing.



The First Boston Corporation

July 18, 1989



INTERNATIONAL COMPANIES AND FINANCE

to progress

Pidee

· + .-.;

By Kenneth Gooding,

HIGHER REALISED prices for copper and zinc outweighed a fall in silver and lead prices and enabled Asarco, the larg-est metal refiner and smelter in the US, to increase second-quarter net earnings from a restated \$43.4m or \$1.08 a

share to \$50.8m or \$1.20. Mr Richard Osborne, chairman, said demand for the group's leading products remained strong: Worldwide inventories of copper, lead and zinc are low and a moderate slowdown in economic growth should not result in an accu-mulation of excess stocks. "On the other hand, with

stocks this low, an improvement in the economy could cause a tightness of supply of these metals to reemerge." He added that Asarco's cash-flow was good and enabled the

company to acquire low-cost mining properties and to pur-sue its strategic goal of becom-ing self-sufficient in the metals it produced.

During the second quarter Asarco realised an average price of \$1.27 a lb for refined copper, compared with \$1.95 in the same months of 1988. However, there was a drop

in the realised price of lead from 32.4 cents a lb to 30.4 cents while that of silver slumped from \$6.76 a troy ounce to \$5.53.

> To the Noteholders, Couponbolders and Warrantholders of:

Life Co., Ltd US\$ 80,000,000 51/4 per cent. Guaranteed Notes 1992 with Warrants

Notice of change of address of

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The Fuji Bank, Limited as Principal Paying Agent Dated: 26th July, 1989

To the Noteholders, Couponholders and Warrantholders of:

Tobu Railway Co., Ltd US\$ 300,000,000 4% per cent.

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> River Plate House 7-11 Finsbury Circus Landon EC2M 7DH

By: The Fuji Bank, Limited

Dated: 26th July, 1989

To the Bondholders, and/or Couponholders of:

Nippon Seiko K.K. US\$ 79,000,000 31/4 per cent.

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By: The Fuji Bank, Limited as Principal Paying Agent Dated: 26th July, 1989

SABRE IV LIMITED **US\$100,000,000** Floating Rate Secured Notes Due 1992

Copper and Salomon and Shearson zinc demand help Asarco make substantial gains

By Janet Bush in New York

SALOMON Brothers and Shearson Lehman Hutton, the Wall Street securities houses, yesterday reported substan-tially higher earnings in the second quarter, partly reflecting an improvement in trading volume in US stock and bond markets. Salomon achieved record net

income of \$253m or \$1.89 a share, more than tripling the year-earlier figure of \$80m. The commany said profits improved across virtually all product

The previous record was set in the first quarter of 1986 when Salomon earned \$190m. In the first six months of this year, net income was \$225m or \$1.54 a share, a little below the \$253m or \$1.68 a share achieved in the first half of 1988. Salomon's securities business contributed \$390m to second-quarter consolidated pretax earnings of \$453m.

which benefited particularly from higher prices and increased volatility in the crude oil market. Phibro achieved pre-tax earnings of \$102m compared with \$30m in the second quarter of 1988. A return to profitability in non-ferrous metals trading helped Salomon's commodities

Salomon's corporate sector, which includes various opera-tional expenses, contributed a \$49m pre-tax loss compared with a \$15m loss a year earlier. This was partly associated with the phasing-out of Salo-mon's commercial finance

dealing business to a \$10m pre-tax profit compared with a loss of \$55m in the first quar-

Shearson Lehman Hutton reported second-quarter net income of \$55m, up 48 per cent from \$39m in the yearago quarter, on increased revenues of \$3.3bn com-

performance by Phibro Energy, The company said this improvement reflected a pick-up in investor activity and continued success in containing fixed expenses throughout the firm. Commission revenues for the

quarter were a record \$538m, up from \$388m a year earlier, while investment advisory revenues also set a record of \$144m compared with \$132m a

year ago.
These strong performances more than offset a decline in investment banking revenues and lower net interest income. Net income for the first half of 1989 totalled \$40m, down 65 or 1999 totaled \$40m, down to per cent from the same period last year. Shearson reported a net loss of \$15m in the first quarter, which included a \$35.2m pre-tax write-down of MCorp securities but also reflected the impact of low investor participation in mar-kets and the impact of higher

Also contributing to record earnings was another strong ITT reports moderate increase

By Karen Zagor in New York

HT, the largest US conglom-erate, reported a moderate gain

in second-quarter earnings as gains from several of the com-pany's core businesses offset dramatic losses from its insurance operations.

The New York-based com-pany, whose businesses range from automotive products to hotels and insurance, said net profits for the three months rose 7 per cent to \$244m or \$1.65 a share from \$228m or \$1.58 a year earlier. Excluding all extraordinary items, net

boosts USX

USX, the big US steel and

energy group, boosted second-quarter profits by 17.4 per cent as a surge in the oil business

compensated for weaker results from the steel

The Pittsburgh company

said net income for the three

months ended June 30 was \$250m or 91 cents a share,

against \$213m or 74 cents the previous year. Sales rose 16.3 per cent to \$4.96bn from \$4.29bn.

For the first half, net income

was \$546m or \$2 a share, an

increase of around 60 per cent on \$370m or \$1.26 a year ear-

lier. Sales improved 13.5

per cent to \$9.4bn from \$8.30.

business

By Karen Zagor

income rose 14 per cent in the quarter.

Sales revenues were marginally up at \$5.2hn against \$5hn a year ago. The company said sales were hurt by a reduction in domestic property and casualty premiums. The recent strength of the dollar also cut into ITT's profits.

For the first six months, net

income was up 9 per cent to \$444m or \$3.05 a share, from \$407m or \$2.82, on revenues ahead 5 per cent at \$10bm from

MOBIL, the large integrated US-based oil company, reported a sharp drop in second-quarter earnings, which it attributed to a loss on the sale of its South

Net income for the three months ended June 30 fell 23

per cent to \$401m or 98 cents a share from \$519m or \$1.26 a year earlier, on flat revenues of \$14bn.

For the first six months, net earnings were \$830m or \$2.02 a

share, down 22 per cent from

\$1.07bn or \$2.59 a year ago.

Revenues were virtually unchanged at \$28bm, against

Excluding the \$140m loss from the sale of Mobil's South

African refinery and distribu-

By Roderick Oram in New York

ASHTON-TATE, a leading US

producer of software for per-sonal computers, yesterday reported a plunge in revenues and a hefty loss in the second

quarter. It also announced the resignation of its chief operat-

ing officer.
The net loss was \$19.8m, or

The loss reflected the down-

By Karen Zagor

African operations.

A "fresh start" tax benefit boosted the first half's profits by 11 cents a share compared with 16 cents a year earlier. Operating income from the Hartford insurance operation fell sharply in the first six months, which ITT attributed to an industry-wide downturn. The company expects this softness to persist through the rest

of the year. Income from the group's product businesses rose across the board, led by ITT Automo-tive's brake and seat systems.

tion operation, net income for

the quarter rose 4 per cent, although first-half income fell 9 per cent without the South African loss.

Mobil reported a 22 per cent first-quarter loss, attributed to reduced refining and market-

ing margins.
US retining earnings were up
25 per cent in the first quarter

to \$111m from \$89m thanks to improved refining operations and better margins.

ing earnings plunged \$182m to show a loss of \$11m, from a gain of \$171m the previous

US exploration and produc-

tion profits rose dramatically

to \$80m, up 54 per cent from a

mostly for the Decision Resources line of software it

bought in 1986. Mr Edward Esber, chairman

said Mr Luther Nussbaum had resigned as president and chief operating officer over differ-

Ashton-Tate suffers hefty loss

Foreign refining and market-

Surge in oil | S African disposal hurts Mobil

Sears, Roebuck up strongly at \$391.2m net

By Deborah Hargreaves in Chicago

SEARS, Roebuck, the world's largest retailer, reported an increase in second-quarter income yesterday after gains in all its divisions and the sale of the Coldwell Banker real estate group's commercial

section Net income for the second quarter rose to \$391.2m from \$322.2m a year ago. Karnings per share increased by 30 per cent to \$1.11 from 85 cents, as the company's share repurchase programme took effect. Sales rose 9 per cent to \$13.28bn from last year's

\$12.16hn. A \$54.5m net gain resulted from the sale of part of Cold-well Banker, while last year's second-quarter results included a loss of \$16.1m from discontinued operations.

Sears showed an increase in first-half income to \$648.9m from \$487.1m against the same period a year ago, before a tax accounting change in last

year's first quarter.

Rarnings per share rose by more than 40 per cent to \$1.81 from \$1.28, while sales were up 10 per cent to \$25,44bn from \$23,12bn.

The retailer's results have climbed from extremely poor levels last year and follow a major restructuring announced by the company in

November

The plan involved a move to "everyday low pricing" by Sears' merchandise group, a concept that is already paying off in higher earnings. Sears merchandise group reported a rise in second-quarter income to \$161.6m from \$157.6m.

year earlier. The sector was helped by higher crude oil prices which offset lower natu-ral gas prices.

Earnings were also helped

by a 15 per cent increase in

natural gas production. For-eign profits were \$204m, down

1 per cent from \$207m the pre-vious year. The company said margins in Japan and Austra-

lia were lower than last year.

Chemical earnings showed a 14 per cent gain at \$182m thanks to the sale of Mobil's

interest in Octel Associated

Although petrochemical earn-ings remained strong in the

quarter, the company noted a recent downturn in petrochem-

ical prices, particularly poly-

reported a 51 per cent jump in its fiscal fourth-quarter net

profits to \$45.4m, or 80 cents, from \$30m, or 54 cents, a year

per cent to \$220.2m from

For the fiscal year ended

net profits of \$26.7m, or 16

cents a share, against \$16.9m.

or 10 cents. Revenues were \$244m, against \$185.7m.

\$170.5m.

The company's Allstate Insurance division saw income rise to \$199.8m from \$190.6m, but the division that showed the strongest second-quarter gain was the Dean Witter Financial Services group. Earnings rose to \$44.5m from

\$10.9m as the equities business recovered from 1987's stock market crash. Coldwell Banker Real Estate group posted a profit of \$46.4m, up from \$18.5m.

Mr Edward Brennan, Sears chairman, said that although he saw signs of slowing economic activity in the second quarter, factors affecting consumers continued to be

"Recent reductions in interest rates should provide a psy-chological boost to consumer confidence, supporting general merchandise sales in the second half of the year and an improving real estate market." Sears is still involved in

negotiations to sell the world's taliest building, the Sears Tower in Chicago. Olympia and York, the Canadian development group, is dubbed the likely buyer of the \$1bn build-

Talks on the sale are believed to have stuck on Sears' insistence that the Toronto company keep the retailer's name on the landmark building.

The company is even reported to have acquired per-mission to add a further 15 floors to the 110-storey tower since plans to construct a taller building nearby were

Earnings slip at Nova halfway

By David Owen in Toronto

NOVA, the Canadian pipelines and petrochemicals group whose shares were recently listed on the London Stock Exchange, has reported lower quarterly earnings as a result of reduced contributions from domestic styrene, polyethylene and methanol production. Second-quarter income totalled C\$76m (US\$64m) or 28

cents a share fully diluted, against CSSSm or 37 cents in the corresponding year-earlier period. Revenues virtually doubled to C\$1.2bn — reflecting the acquisition of Polysar Energy & Chemical. In the second

quarter of 1988, revenues were just C\$624m. The fast-growing but heavi-ly-indebted company said that profits were also reduced

by adverse currency fluctua-Over the six months ended June 36, earnings climbed 20 per cent to C\$205m or 76 cents, compared with C\$171m or 70 cents in 1988. Revenues again almost doubled to C\$2.5bn

from C\$1.3bn. Net income from pipelines rose, reflecting system expan-sion. Cash spending in 1989 for further pipeline growth is expected to amount to some C\$440m.

The Calgary-based company cut long-term debt by around C\$115m during the second quarter and by C\$275m in the first half.

The TSE Welcomes GOLDSTAKE EXPLORATIONS (Left to right) Commemorating the listing of the shares of

Goldstake Explorations Inc. on the Toronto Stock Exchange are K. Roben Besly, Director, Roben Cleaver, President; Roben Cook, Manager, Original Listings, TSE; and F.W. Powell, Director. The trading symbol for Goldstake is GXP.

the shares of Goldstake Explorations Inc. were listed I for trading on the Toronto Stock Exchange on July 14, 1989 under the symbol GXP.

Goldstake Explorations Inc. is an exploration company which concentrates on gold-producing areas, consolidating and exploring properties which have not been properly exploited.

Goldstake's property portfolio includes two properties in and around the Black Hills mining area of the United States, an interest in the Hill End gold field in Australia and claims in the Hemlo area of Canada.

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Series V Floating Rate Trust Obligation

Participation Securities due 1992 Secured by a Charge on a Portfolio of Fixed Rate Bonds and Notes with an aggregate principal amount of U.S.\$215,275,000

For the period 24th July, 1989 to 24th January, 1990, the securities will carry an interest rate of 8.9625% per annum with a coupon amount of U.S.\$11,452.08 per U.S.\$250,000 denomination and U.S.\$22,904.17 per U.S.\$500,000 denomination.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London

Agent Bank

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Alliance & Leicester Building Society £112,000,000

Subordinated Floating Rate Notes due 1998 For the three months 24th July, 1989 to 24th October, 1989, the Notes will carry an interest rate of 14.65% per annum with an interest amount of £18.463.01 per £500,000 Note, payable on 24th October, 1989.

Listed on the Luxembourg Stock Exchange.

Bankers Trust Company, London

Agent Bank

CARPS II Limited

U.S. \$80,000,000

Secured Floating Rate Notes due 1992

For the period 24th July, 1989 to 22nd January, 1990 the Notes will carry an interest rate of 8.9625% per annum with a coupon amount of U.S. \$4,531.04 per U.S. \$100,000 Note payable on 22nd January, 1990.

Bankers 1715. Company, London

Unisys plummets on weak sales This announcement appears as a matter of record only.

puters and by a temporary US Government ban on its defence operations soliciting new busi-

profits would be lower than a year earlier, reflecting growing caution "about the US business environment for both commercial computers and defence," Mr Michael Bhumenthal, chairman, said. Weaker demand and further

inventory reductions would mean under-utilisation of its

plants and higher costs. In

Net profit before preferred share dividends for the three months ended June 30 plunged to \$53.6m from \$162.3m a year earlier. Revenues rose by 8 per cent to \$2.39bn from \$2.57bn. In local currency terms, for-

the company with a first-half loss of \$25.1m, or 50 cents a

Payments of dividends on preferred shares made the sec-ond-quarter final profit \$26.8m, or 17 cents a share, against \$135.5m, or 84 cents, a year ear-lier; and the first-half loss

from \$1.44bn.

share, against net profits of \$311.6m, or \$1.50. Revenues were \$4.78bn against \$4.76bn. addition, a stronger US dollar would continue to affect adversely its foreign earnings.

NWA soars to record in second quarter

By Karen Zagor .

Net income for the three months ended June 30 was \$28.4m or 97 cents. Revenues were 19 per cent up at \$1.65îm

quarter rose 16 per cent on a 16 per cent increase in capacity. The result was a load factor of 67 per cent. Revenue per passenger mile increased 3.2 per cent to 12.3

Operating revenues for freight increased 17 per cent to \$132.6m, while operating expenses for the second

quarter rose 15 per cent to \$1.53bn.

Fuel, oil and expenses rose the most dramatically, up 21 per cent to \$242.7m. Aircraft maintenance expenses posted a slight increase, up 2.5 per cent at \$90.4m.

Shares in NWA rose \$78 to \$1204 on the New York Stock Exchange after the results were announced. Analysis had been expecting a strong quarter from the airline industry as a whole thanks to high

Tune 1989

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which is a subsidiary of

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We acted as financial advisers to Interlock AG.

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Notes Date 1992
For the 6 months period 24th
July, 1989 to 23rd January,
1990 the Notes bear the interest
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US\$4.575.00 will be payable
from 23rd January, 1990 per
US\$100,000 principal amount (Europe) Limited, Agent Sank

In the energy business, operating income soured 137 per cent to \$244m, on sales of \$3.1bn, against \$2.4bn. Powerful demand for refined oil products 125ml Marchael account. ucts lifted Marathon's operating income to \$257m from \$119m on sales of \$2.9bn from \$2.2bn. Texas Oil and Gas reduced its operating loss by \$3m to \$13m. Operating income for the steel operations fell 23.3 per cent to \$171m from \$223m, sales which were flat at \$1.6bm. Mr Charles Corry, chairman, said: "The first-half results benefited from strong demand

higher average crude oil prices, asset sales and steady demand for most steel products." Eaton advances at halfway mark but sees setback

for refined petroleum products,

EATON CORPORATION, the US vehicle components and electrical controls group, made strong progress in the second quarter and half year, but the group warned that its markets were softening, writes Our Financial Staff.

ncial Staff. The company, which has seven UK plants, took second-quarter net income to \$63.4m from \$46.6m last time, which lifted per-share earnings to \$1.72 against \$1.25. Sales impact to \$250.4m jumped to \$369.4m from

At the halfway stage net income rose to \$130.6m, or \$3.53 per share, on sales of \$1.9bn, compared with net income of \$106.9m or \$2.86 last time on sales of \$1.7bm.

Mr James Stover, Eaton chairman and chief executive officer, said: "Activity in our markets was good throughout the first half." He added that the group was

investing heavily in new products and spending on capital projects was at record levels. However, he warned: "There are now clear signs that there has been an easing of the vigorous demand that our vehicle component businesses has enjoyed for the last several

Mr Stover added: "Our electrical and electronic controls segment continues to show strength, but this sector has tended historically to lag behind vehicle components in the business cycle."

ences in management philoso-phy. Mr Esber will take on both jobs. June 30, net profit was \$170.5m, or \$3.03, against \$123.9m, or 75 cents a share; against net income of \$11.5m, or 44 cents, a \$2.22. Revenues were \$803.5m year earlier. Revenues dropped 17 per cent to \$59.5m from \$71.9m as its distributors continued to cut large Ashton-Tate's stock dropped against \$590.8m. • Computer Associates, the \$1% to \$14%. Analysts had been expecting a stronger year from the company as it bene-fited from sales of its leading producer of software for mainframe computers, turned in fiscal first-quarter

dBASE IV programme released

last October.

• Microsoft, the leader in personal computer software, has turn in revenues and an \$8m, 30-cents-a-share write-off of product rights and inventories,

UNISYS' NET profits fell 67 per cent in the second quarter, undermined by price and demand problems for its com-

It forecast that second-half

eign sales grew at a double digit rate, thanks to "strong customer acceptance" of new

mainframe products and con-tinuing demand for existing services, Mr Rlumenthal said. Unisys had reported a firstquarter loss of 38 cents a share. Coupled with the weaker sec-ond-quarter result, it leaves

\$258m. or \$1.61. • Martin Marietta, the US aerospace and defence systems aerospace and detence systems group, saw second-quarter net income advance to \$86.9m or \$1.64 a share, against \$81.4m or \$1.53. Sales slipped to \$1.45bn

The company said secondquarter results were particu-larly strong in the astronautics production of the Titon IV, an expendable launch vehicle which had a successful first

NWA, parent of Northwest Afrines, the fourth-largest US carrier which last month agreed to be acquired for \$3.65bn, has registered record second-quarter

\$70.8m or \$2.88 a share against Six-month income was \$83.3m or \$2.82 a share against

a loss of \$15.1m or 52 cents in

the first half of last year. Revenues for the period rose 20 per cent to \$2.67hn from \$2.27hn. Passenger traffic in the

This announcement ameers as a matter of record only

June 1989

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INTERNATIONAL COMPANIES AND FINANCE

Qantas chief leaves under cloud

By Chris Sherwell in Sydney

QANTAS. Australia's state-owned international flag carrier, is casting around for a new chief executive following the rancorous departure of Mr John Menadue on Monday. The shake-up has added to

the problems hanging over the airline's future. Qantas needs a A\$600m (US\$448.6m) equity injection to meet expansion costs, but the Government, which cannot afford this amount, has yet to grasp the

Also, the group has had diffi-culty recruiting skilled maintenance engineers, and has lost money due to a disruptive air traffic controllers' dispute.
In a brief statement, the

directors of Quntas said that Mr Menadue's contract had been "terminated by agreement prior to its expiration, notwithstanding his desire to continue to serve out the term of his contract.

enterprises. Under the policy, private sector-style salaries could be paid only for execu-tive jobs which are vacated and re-advertised.

Mr Menadue was apparently ready to leave his job because of mounting conflict with the board. But the news of the sal-The break marks the climax ary policy leaked before the matter was settled. In the ensu-

government's decision last year to make several government entities including Qantas operate more as commercial enterprises. Under the policy, private sector and barrowing issues sation and borrowing issues. Mr James Strong, Mr Mena-

due's counterpart at the domestic Australian Airlines, resigned from his job this year, re-applied, but then decided to take up another job. He has since called the policy on executive pay unnecessarily cum-

Tokyo district court yesterday granted an injunction to block a share-exchange plan by two supermarket operators. The chains were aiming to defend themselves against an against against against an against a defend themselves against an unwanted takeover bid. The judgment could also Leaked Packer data reveal A\$3bn empire become a landmark in Japanese corporate finance practice, which would make it easier for outside interests—

Australian businessman involved in the £13bn (US\$21.1bn) bid for BAT Industries - the British tobacco-based conglomerate - presides over a media, resources and property empire with assets of more than A\$3bn (US\$2.2bn) and annual pre-tax profits of around A\$200m, according to figures leaked this week, writes Chris Sherwell, Figures for Consolidated

Press Holdings, his privately-

owned flagship, show that the group's assets stand at A\$3.1bn with liabilities at A\$2.2bn, leaving shareholders' funds of almost A\$900m. The figures, part of a background paper prepared by the company, were leaked to the local press.

In the year 1987-88, profit

before tax and extraordinary items was said to be around A\$200m, but was expected to be slightly lower in the year just ended. Net borrowings for the year were put at more than

A\$1.6bn. Six years ago, when Mr Packer took the group pri-vate, Consolidated Press Holdings had total assets of less than A\$550m and a pre-tax profit of under A\$17m.

The group's principal interests include more than 50 magazine titles and one of the largest US media inserts companies. Each has a turnover of around A\$500m. Other interests include: Chemplex, formerly Monsanto Australia. which produces styrene; the 49

per cent-owned Muswellbrook resources group; and an array

of property assets.

Mr Packer hit the international spotlight when he sold his television and radio interests to Mr Alan Bond, the Perth financier, for A\$1.05bn in resolutions. early 1987. In his assault on BAT, he has teamed with Sir James Goldsmith - a long-time friend - and Mr Jacob Roths-child as part of a strategy to mies and currencies.

Banks end Hooker Corp debt moratorium

HOOKER CORPORATION, a financially troubled Australian property and retail company with US interests, said yester-day that a group of bankers had terminated a four-month moratorium on its debt, AP-DJ reports from Sydney.

Under the moratorium, Hooker was not repaying principal on its debt, and the banks had agreed to renew maturing credit facilities when they fell

The moratorium was signed on July 7 and was to have ended on October 31. moratorium. Hooker said in a statement that one of the provisions of

the moratorium was that the banks would provide bridging finance to enable the company to continue operating while it sold assets to raise cash. "To date the banks have declined to make any such funds available," it said.

A task force of the banks

yesterday "advised the board that they had terminated the

Hooker is taking legal advice on the banks' "refusal to pro-vide funds and on the purported termination of the moratorium. The statement added: "Preliminary advice is that the

banks have not acted in accordance with their obligations under the moratorium." It added that its board "will be doing everything in its power to protect the interests of all those associated with the group."
Neither Hooker nor its banks

explained why the moratorium was ended, and the banks did not say whether they planned any immediate moves on their

Hooker's assets totalled A\$2.45bn (US\$1.83bn) and liabilities A\$1.92bn at March 31. Its bank debt totals A\$1.6bn.

Molson provides A\$150m to keep Elders secure

MOLSON COMPANIES, the Canadian brewer, is commit-ting up to A\$150m (US\$112.1m) to a plan to secure the hold of the existing management on Elders IXL, the Australian beer and investment company with which it is combining its brew-

ing interests.

Molson said it would invest the funds in equity and long-term debt financing at Harlin Holdings, a private com-pany through which Mr John Elliott, Elders chairman, and his executives bold nearly a quarter of the Melbourne-based

producer of Foster's lager. Harlin plans to make a A\$5.5bn general offer for Elders shares, pitched at A\$3 per share. The closing price yesterday was A\$2.97. Mr Elliott expects to secure

only a minority of the public shareholding in Elders through the bid. It is being made largely to facilitate a deal under which Harlin is under-writing a disbursement of the 18 per cent tranche of Elders held by Petitio, a joint venture between AFP Group and Good-man Fielder Wattie.

Molson said that if all funds were used, its interest in Harlin would be 5.5 per cent. Hongkong and Shanghai Banking Corporation is leading the debt financing and may also take equity. Citicorp, Prudential Bache Interfunding and Cie Financière de Suez were also named as willing to provide Harlin debt or equity.

market group, acquiring sig-nificant minority share stakes in four family-owned super-market operators over the last year and a half.

year and a hair.

Two weeks ago, two of these companies, Chujitsuya and Inageya, announced a plan to protect themselves from Shuwa. Under the scheme, each would sell the other large

Shake-up of

sector likely

A SHAKE-UP of Japan's overcrowded food retailing sector looks likely, after the

including foreign companies to penetrate the tight share-holding arrangements that up

to now have protected Japa-nese companies from hostile

takeover bids.

The case arose as a result of

Shuwa, a fast-growing private Japanese property and super-

Japanese

food retail

By lan Rodger in Tokyo

each would sell the other large quantities of its shares at deeply discounted prices. Shuwa responded by seeking an injunction from the Tokyo district court to prevent the share exchanges — on the ground that the terms were projudicial to the two compaprejudicial to the two companies' other shareholders and therefore a violation of the

commercial code. The Chujitsuya shares were being offered at about a fifth of current market prices, while the Inageya shares were being offered at about a third

of their market price. Mr Kazuo Yamaguchi, the presiding judge, accepted Shuwa's argument, saying that the proposed issue prices of the shares were so much lower than market prices that they amounted to illegal favours. He observed that the two companies were not so weak that they were in desperate need of capital injections and said that they should have called shareholders' meetings

Mr Shigeru Kobayashi, president of Shuwa, said at a press conference that this was "an epoch-making decision" and would help reduce foreign criticism of the difficulties in gaining access to management

stakes in Japanese companies.

Mr Kobayashi, speaking at a
press conference in Tokyo, said Shuwa would seek a nego-tiated settlement with Chujitsuya and Inageya and would continue to pursue its plan for a big re-organisation of the food retailing industry. If the two companies remained unfriendly, Shuwa might take up offers of assistance from top executives of Daiei and Ito-Yokado, two larger supermarket operators.

Chujitsuya and Inageya said in a joint statement that they would not appeal against the court judgment. They would withdraw their plans for a cap-ital exchange but would continue to do their utmost to block Shuwa's plan for merging them and two other companies to form a large supermarket group. Last week the two announced a plan to set up a fresh-food purchasing joint venture, and they have been studying other joint projects.

Underground investment house makes assets public

FOR THE first time, Taiwan's second largest underground investment house has made its assets public and offered a glimpse into the country's lucrative black economy, Reu-

ter reports from Taipel.
Officials of the Fortune
Group, like other underground houses squirming under a new banking law that restricts their activities, said that the company was opening its assets for examination by a standing committee composed of inves-

tors.

"We are a legal and honest company, unlike most of the so-called underground investment companies. That is why we are doing this," said Mr Ouyang Shan, a Fortune offi-cial

Most of Taiwan's 200 underground investment companies froze cash withdrawals after panicky investors drained their vaults of cash following passage of the banking law on July 11.

The law bans unlicensed companies from taking deposits and paying interest, practices which have earned the underground firms billions of dollars and catabulted them

dollars and catapulted them into the top league of Taiwan

According to a company statement, Fortune is now worth NT\$57bn (US\$2.2bn), of which NT\$40bn was directly ted by depositors.

"This [Fortune's assets] shows there is no cash-flow problem," Mr Ouyang said, adding that the investors' com-

mittee would ask outside accountants and lawyers to review the ledgers. The company did not make its debts public.

The publication has given a glimpse of a high-flying world where operations were shrouded in secrecy and tax, accounting and securities laws were flouted.

r L

Nai,

were flouted.

Fortune's assets include factories, office buildings, a charter airline, a string of deluxe restaurants, a Hong Kong hotel, a popular Taipei discotheque, tracts of land in Taiwan and Bangkok and a lumber processing plant in Fiji.

Other underground companies, including the massive Hung Yuan Group, have not followed Fortune's lead so far.

Hung Yuan has said it will make a full report to its investors once all its documents have been put in order. Company officials say this will take at least two months.

Taiwan's Central Bank yesterday.

at least two months.

Taiwan's Central Bank yesterday announced that a government credit squeeze succeeded in reducing the annual growth of M-IB money supply in June to 7.6 per cent, seasonally adjusted, John Riliott adds.

adds.

This is the smallest increase for nearly four years and compares with annual growth figures of over 30 per cent last year. M-1B, which takes in cash in circulation plus deposits in current and savings accounts, amounted to NT\$1,849.7bn at the end of June.

\$493,513,500



These securities having been sold, this advertisement appears as a matter of record only.

41,126,125 Common Shares

Price: \$12.00 per share

The Common Shares were purchased from Her Majesty in right of Canada.

\$96,000,000

8,000,000 Common Shares have been purchased for distribution internationally by:

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Deutsche Bank Capital Markets

Morgan Stanley International

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ScotiaMcLeod Inc.

Wood Gundy Inc.

Swiss Bank Corporation Investment Banking

S.G. Warburg Securities

BNP Capital Markets Limited

Nomura International **Nesbitt Thomson Deacon Inc.**

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\$397.513.500

33,126,125 Common Shares have been purchased for distribution in Canada by:

RBC Dominion Securities Inc.

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July 1989

Shake-up Japanes, food reg

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Acquisition of Trailer Life Group from American Bakeries Company

\$ 138,000,000

Acquisitions

Adams Publishing Acquisition Corp. Arkla, Inc. Australian Capital Equity (USA), Inc. Canada Malting Co. Limited Central Co-operative Bank Cipher Data Products, Inc. Consolidated Freightways, Inc. Consolidated Natural Gas Company Consolidated Natural Gas Company Constellation Bancorp Costain Group PLC Electrolux Corporation **Encore Computer Corporation** FB Briggs, a new Corporation organized by First Boston Investments, Inc. and Management First Financial Management Corporation First Security Corporation GP Group Acquisition Corporation, a New Corporation formed by Boston Ventures Limited Partnership III and IIIA and Macfadden Holdings, Inc. Georgia US Corp., a subsidiary of Nationale-Nederlanden NV Gibbons, Green, van Amerongen, L.P. IMA Holding Corp., a new Corporation organized by First Boston Investments, Inc. and GKH Partners, L.P. Imperial Oil Ltd. Kaufman & Broad, Inc.

Kawasaki Steel Corporation

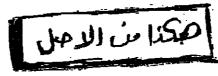
Acquisition of Louisiana Intrastate Gas Corp. from a group of Private Investors 180,000,000 Acquisition of ProGroup, Inc. (Pending) 44,000,000 125,000,000 Acquisition of Great Western Malting Company from Penwest, Ltd. 38,000,000 Merger for Cash with Somerset Bankshares Inc. (Pending) 76,000,000 Cash Tender Offer for Irwin Magnetic Systems, Inc. 230,000,000 Cash Tender Offer for Emery Air Freight Corporation 245,000,000 Joint Acquisition of Mark Producing, Inc. with Japex (U.S.) Corp. from Veba Oil AG (Pending) Acquisition of Virginia Natural Gas from Dominion Resources Inc. 160,000,000 50,000,000 Merger for Common Stock with New Brunswick Savings Bank Acquisition of Pyro Energy Corp. (Pending) 193,000,000 Acquisition of the Operating Assets of The Regina Company, Inc. 65,000,000 Acquisition of Computer Systems Division from Gould Inc. (Pending) 148,000,000 Leveraged Buyout from J.P. Industries, Inc., with First Boston, First Boston Mezzanine Investment 76,000,000 Partnership and Management as Investors 242,000,000 Acquisition of Georgia Federal Bank, FSB from Fuqua Industries, Inc. Not disclosed Merger for Cash with Twin Falls Bank & Trust Company (Pending) 412,000,000 Acquisition of GP Group, Inc. 433,000,000 Acquisition of Southland Life Insurance Company from The Franklin Life Insurance Company, a subsidiary of American Brands, Inc. 941,000,000 Cash Tender Offer for The Ohio Mattress Company Leveraged Buyout of American Medical International, Inc. (Pending) 1,952,000,000 4,150,000,000 Cash Tender Offer for Texaco Canada Inc. Acquisition of Annuity Operations of Commercial Life Insurance Company from 65,000,000 The Continental Corporation Purchase of 40% Interest in Armco Steel Company, L.P., a limited partnership with Armco Inc., 350,000,000 to own and operate Armco's former Eastern Steel Division



The second secon

CS First Boston Client	Description of TransactionAp	proximate Size of Transaction
King Videocable Company M/A-COM, Inc. Miles Inc., a subsidiary of Bayer USA Inc. Naamloze Vennootschap DSM National Westminster Bancorp Inc. Océ-van der Grinten N.V. Outlet Communications, Inc.	Acquisition of Suburban Cablevision Company from Hauser Communications, Inc. (Pending) Acquisition of Adams-Russell, Inc. (Pending) Acquisition of Cooper Technicon, Inc. from Cooper Companies, Inc. Acquisition of Copolymer Rubber & Chemical Corporation from Mark IV Industries, Inc. Merger for Cash with Ultra Bancorporation (Pending) Acquisition of Graphics Division from Schlumberger Limited (Pending) Merger for Cash and Securities with Atlin Communications, Inc.	Not disclosed \$ 80,000,000 187,000,000 250,000,000 282,000,000 Not disclosed Not disclosed
PacifiCorp QFB Partners, a Joint Venture of Quantum Chemical Corporation and First Boston Investments, Inc.	Merger for Common Stock with Utah Power & Light Company Leveraged Buyout of Petrolane Incorporated and Petrolane Partners, L.P. (Pending)	1,900,000,000 1,180,000,000
SCEcorp SGS-Thomson Microelectronics B.V. STC PLC Sage Acquisition Corporation The Charles Schwab Corporation	Merger for Common Stock with San Diego Gas & Electric Company (Pending) Acquisition of INMOS Ltd. and Semiconductor Assets from Thorn EMI North America, Inc. Cash Tender Offer for Computer Consoles, Inc. Acquisition of Remaining 31.1% Equity Interest in Sage Energy Company Acquisition of Rose & Co. Investment Brokers Inc. from The Chase Manhattan Corporation	2,560,000,000 Not disclosed 168,000,000 20,000,000 37,000,000
Society Corp. Stone Container Corporation Sumitomo Metal Industries, Ltd. Swiss Air Transport Company Ltd. Tokio Marine & Fire Insurance Company UNUM Corporation	Merger for Common Stock with Trustcorp, Inc. (Pending) Cash Tender Offier for Consolidated-Bathurst Inc. Purchase of Equity Interest in Lam Research Corp. Acquisition of 5% Equity Interest in Delta Air Lines, Inc. (Pending) Acquisition of 40% Equity Interest in First Insurance Company of Hawaii from The Continental Corpo Acquisition of Commercial Life Insurance Company from The Continental Corporation	503,000,000 2,200,000,000 5,000,000 193,000,000
WCI Holdings Corporation	Cash Tender Offer/Merger for Preferred Stock for Wickes Companies, Inc.	538,000,000

WCI Troidings Corporation	Casir Ichici Chil/Mcigci asi Tickerica stock asi Wickes Companies, 210	000,000,000
Corporate Sales and I	Divestitures	
ADVANTA Corp.	Divestiture of Selected Assets of Colonial Credit Card Trust 1988-A to Household Bank, N.A.	Not disclosed
Adiainvest S.A.	Sale of Company to Inspectorate International Ltd.	Not disclosed
Aetna Life and Casualty Company	Divestiture of Aetna Life and Casualty Ltd. to Prudential Corporation PLC	\$ 94,000,000
American General Corporation	Divestiture of Maryland Casualty Company to Zurich Insurance Company	740,000,000
American Standard, Inc.	Divestiture of The Fluid Powers Product Group to Mannesmann AG	Not disclosed
American Standard, Inc.	Divestiture of Steelcraft Division to Masco Industries, Inc.	Not disclosed
Arkansas Best Corporation	Divestiture of Riverside Furniture Corporation to an affiliate of McKane Robbins & Co.	Not disclosed
BMA Corporation	Divestiture of KDVR-TV Denver (CO) to Chase Communications Inc. (Pending)	12,000,000
Baker Hughes Incorporated	Divestiture of Mining Equipment Group to OY Tampella AB (Pending)	Not disclosed
Bank of Delaware Corporation	Merger for Common Stock with PNC Financial Corporation	230,000,000
Barry Wright Corporation	Sale of Company to Applied Power Inc.	125,000,000
Becton, Dickinson and Company	Divestiture of Edmont Division to Pacific Dunlop Ltd.	228,000,000
H.N. and Frances C. Berger Foundation	Sale of Sacramento Savings and Loan Association to Alleghany Corporation (Pending)	150,000,000
CIS Corporation	Divestiture of Canadian operations to Manufacturer Finance Programs Ltd. (Pending)	18,000,000
CPG International, Inc.	Sale of Company to Charterhouse Group International, Inc.	75,000,000
CS First Boston Inc.	Sale of 10% Equity Interest to Metropolitan Life Insurance Company	Not disclosed
CSX Corporation	Divestiture of Texas Gas Transmission Corp. to Transco Energy Company	571,000,000
Camellia City Telecasters, Inc., a wholly- owned subsidiary of BMA Corporation	Divestiture of assets of KTXL-TV Sacramento (CA) to Renaissance Communications Corp.	56,000,000
Campeau Corporation	Divestiture of Ann Taylor, Inc., a subsidiary of Allied Stores Corporation, to Ann Taylor Holdings, Inc.	430,000,000
Campeau Corporation	Divestiture of The Children's Place Retail Stores, Inc., a subsidiary of Federated Department Stores, Inc., to TCP Acquisition Corp.	26,000,000
The Cherokee Group	Sale of Company to Green Acquisition Co.	171,000,000
Control Data Corporation	Divestiture of Imprimis Technology Inc. to Seagate Technology Inc. (Pending)	450,000,000
C3, Inc.	Sale of Company to Knoll Capital Management	127,000,000
The E.W. Scripps Company	Divestiture of The Sun-Tattler to DTH Media, Inc.	Not disclosed
Elders IXL Ltd.	Sale of Company to Harlin Holdings Pty. Ltd. (Pending)	4,200,000,000
Empire of America Federal Savings Bank	Divestiture of Credit Card Portfolio to Citibank (South Dakota), N.A.	Not disclosed
Fairchild Industries, Inc.	Sale of Company to Banner Industries, Inc.	275,000,000
Fairchild Industries, Inc.	Divestiture of Fairchild Industrial Products Co. to Investor Group including Management	Not disclosed
Falstaff Brewing Corp.	Sale of Company to S&P Company	79,000,000
Federal Savings Bank of Puerto Rico	Merger for Cash with Banco Santander Puerto Rico	100,000,000
First Brands Corporation	Divestiture of European Household Products Operations to The Dow Chemical Company	Not disclosed
GAF Corporation	Sale of Company to Management Group led by Samuel J. Heyman	1,574,000,000
General Cinema Corporation	Divestiture of General Cinema Beverages, Inc. to PepsiCo, Inc.	1,750,000,000
Grumbacher, Inc.	Sale of Company to Empire Berol Corporation	14,000,000
F. Hoffmann-La Roche & Co. Limited Company	Divestiture of Kontron Electronics to BMW Intec Beteiligungs GmbH (BMW AG)	Not disclosed
E Hoffmann-La Roche & Co. Limited Company	Divestiture of Kontron Instruments to an Investor Group organized by Baring Capital Investors	Not disclosed
Horizon Bancorp	Sale of Company to Chemical Bank Corporation	465,000,000
Kollmorgen Corporation	Sale of Company to Vernitron Corporation (Pending)	297,000,000
Louisiana Land & Exploration	Divestiture of certain oil and gas properties to Various Buyers (Pending)	Not disclosed
M/A-COM, Inc.	Divestiture of Government Systems Division to an Investor Group (Pending)	71,000,000
Maxus Energy Corporation	Divestiture of Maxus Energy Canada Ltd. to Kerr-McGee Corporation	142,000,000
Meritor Savings Bank	Divertiture of Meritor Mortgage Corporation-West to Mortgage Servicing Trust Divertiture of Meritor Credit Card Operation to The Chara Manhattan Bank (USA) NA	Not disclosed Not disclosed
Meritor Savings Bank Meritor Savings Bank	Divestiture of Meritor Credit Card Operation to The Chase Manhattan Bank (USA), N.A. Divestiture of Meritor Credit Corporation to Ford Motor Credit Company	Not disclosed
NWA Inc.	Sale of Company to Wings Holdings Inc. (Pending)	3,600,000,000
		,,000



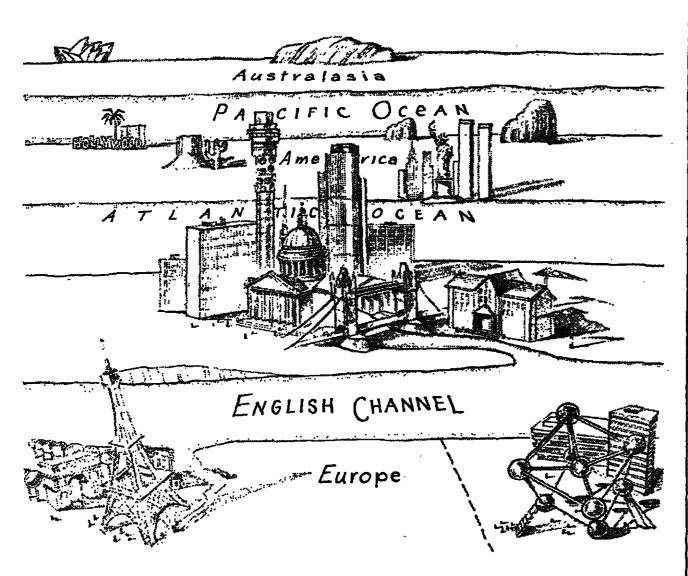
CS First Boston Client	Description of Transaction Approxim	ate Size of Transaction
New England Life Insurance Company and Guardian Royal Exchange Assurance plc	Divestiture of 51% Equity Interest in Connecticut National Life Insurance Company (Pending)	Not disclosed
The New York Times Company	Divestiture of NYT Cable to Garden State Cablevision, L.P (Pending)	\$ 420,000,000
Normick Perron Inc.	Sale of Company to Noranda Forest Inc. (Pending)	100,000,000
PPG Industries, Inc.	Divestiture of PPC's 50% Equity Interest in Fiberglas Canada Inc. to Manson Insulation Inc. (Pending)	200,000,000
Pegasus Broadcasting, Inc.	Divestiture of WTVM-TV Columbus (GA) to American Family Broadcasting Group	45,000,000
The Pillsbury Company	Sale of Company to Grand Metropolitan PLC	5,574,000,000
Prime Computer, Inc.	Sale of Company to DR Holdings Inc., a subsidiary of J.H. Whitney & Company (Pending)	1,497,000,000
Quantum Chemical Corporation	Divestiture of Emery Division to Henkel Corporation	480,000,000
Ransburg Corporation	Sale of Company to Illinois Tool Works, Inc.	177,000,000
Ransburg Corporation	Divestiture of Maschinenfabrik GmbH to Matuschka Group	Not disclosed
Republic American Corporation	Merger for Cash with Penn Central Corporation	290,000,000
Rock Island Refining Company	Merger for Cash with Marathon Petroleum Company	Not disclosed
Security Pacific Corp.	Sale of 5% Equity Interest in Consumer and Commercial Services Groups of Security Pacific Financial Services System, Inc. to Mitsui Bank Ltd. (Pending)	100,000,000
Sound Warehouse Inc.	Merger for Cash with Shamrock Holdings, Inc.	133,000,000
Swiss Air Transport Company Ltd.	Sale of 5% Equity Interest to Delta Air Lines, Inc. (Pending)	Not disclosed
TW Services, Inc.	Sale of Company to SWT Associates, L.P. (Pending)	1,690,000,000
Tenneco, Inc.	Sale of Tenneco Oil Company and certain related businesses to Various Purchasers	7,300,000,000
Texas Eastern Corporation	Sale of Company to Panhandle Eastern Corporation	3,223,000,000
Texas Eastern Corporation	Divestiture of North Sea Oil and Gas Assets to Enterprise Oil PLC (Pending)	1,400,000,000
Texas Eastern Corporation	Divestiture of 50% interest in Eastman Christensen to Norton Company	115,000,000
Tiger International, Inc.	Sale of Company to Federal Express Corporation	852,000,000
Travelers Corporation	Divestiture of Keystone Provident Life Insurance Company to Liberty Mutual Insurance Company	Not disclosed
WCI Holdings Corporation	Divestiture of Wickes Furniture, a Division of Wickes Companies, Inc., to WIXF Corp., a Company organized by Kelso & Company, Management and certain Institutional Investors	158,000,000
WCI Holdings Corporation	Divestiture of Orchard Supply Hardware, a Division of Wickes Companies, Inc., to OSH Acquisition Corporation, a Company formed by Management and Freeman Spogli & Co.	134,000,000
Wardair Inc.	Sale of Company to PWA Corporation	207,000,000
WestMarc Communications, Inc. Shareholders	Merger for Cash and Securities of remaining 25% interest with Tele-Communications, Inc.	202,000,000

Restructurings, Takeover Defenses and Other Advisory Services

Affiliated Publications, Inc.	Spinoff of API Print Corporation/Merger for Common Stock with McCaw Cellular Communications	\$ 2,898,000,000
Alco Standard Corporation	Advice with respect to the sale of its Equity Interest in Alco Health Services Corporation to AHSC Holdings Corporation (Pending)	525,000,000
BHC, Inc., a subsidiary of Chris-Craft Industries, Inc.	Advice with respect to its Equity Interest in Warner Communications, Inc., regarding Time Incorporated's Tender Offer (Pending)	14,109,000,000
The Citizens and Southern Corporation	· · · · · · · · · · · · · · · · · · ·	2,401,000,000
Committee of Dalkon Shield Claimants	Advisors to Claimants in American Home Products Corporation's acquisition of A.H. Robins Company, Inc. (Pending)	3,300,000,000
Consolidated Gold Fields PLC	Advice with respect to offers from Minorco S.A. (offer lapsed) and Hanson PLC	5,400,000,000
Ekco Group, Inc.	Repurchase of 8.6% Equity Interest from Sonar Partners	5,000,000
Ethyl Corporation	Spinoff of Aluminum, Energy and Plastics Businesses	175,000,000
Fairchild Industries, Inc.	Repurchase of 25% Equity Interest from Quantum Fund, N.V. and Certain Affiliated Investors	75,000,000
Her Majesty the Queen in Right of New Zealand	Privatization of Air New Zealand Limited acquired by a consortium comprised of Brierley Investments Limited, Qantas Airways Limited, AMR Corp. and Japan Air Lines Co. Ltd.	420,000,000
Hercules, Inc.	Advice with respect to purchase of remaining interest in Aqualon Group	210,000,000
Kaufman & Broad, Inc.	Restructuring/Spin-off of Kaufman & Broad Home Corp.	300,000,000
Lockheed Corporation	Restructuring (Pending)	Not disclosed
Madison Gas & Electric Company	Advice with respect to offer from WPL Holdings, Inc.	280,000,000
McBain, Rose Partners	Recapitalization of Flexible Technologies	Not disclosed
Public Service Company of New Hampshire	Restructuring (Pending)	Not disclosed
Quantum Chemical Corporation	Recapitalization involving payment of special dividend	1,150,000,000
Recognition Equipment	Advice with respect to offer from Prospect Group (Pending)	112,000,000
Tyler Corporation	Fairness Opinion with Respect to the Sale of Reliance Universal, Inc. to Akzo N.V. (Pending)	265,000,000
UAL Corporation	Sale of 49.5% Equity Interest in the Covia Partnership to Alitalia, British Airways, KLM Royal Dutch Airlines, Swissair and USAir, Inc.	500,000,000
Union Pacific Corporation	Participation as an Equity Investor in a Company organized by Blackstone Capital Partners L.P. and other Investors to acquire CNW Corporation (Pending)	933,000,000
Wesray Capital Corporation	Sale of Avis, Inc. Preferred Stock to Avis on behalf of Employee Stock Ownership Plan	Not disclosed
Wesray Capital Corporation	Sale of Equity Interest in Simmons Bedding to Employee Stock Ownership Plan	Not disclosed

First Ideas, Then Results.





THE PROPERTY ADVICE WE GIVE KNOWS NO BOUNDS.

At Debenham Tewson & Chinnocks' offices around the world we have specialists in every aspect of commercial property.

Their style may vary from one country to the next, but the thinking that underpins their advice is based on the same high professional standards.

All this is to the advantage of our clients with overseas interests. Our staff, wherever they are based, regularly work together in teams using their detailed knowledge of local markets. The result is integrated advice based on the most up-to-date information. interests, you can depend on Debenham Tewson & Chinnocks for a rapid and informed response.



uk - Australia - Bahrain - Belgium - France - West Gerhant - Netherlangs - Singapore - USA For a copy of our International Brochure and/or our 1989 Amusia Report and Accounts, please contact Miss Jacqueline Ball, Corporate Marketing Department, Debenham Tewson & Chinnocks, Bancroft Hoese, Paternoster Souare, London EC4P 4ET. Tet: 01-236 1520.

So wherever you have property



CAPITALISATION REACHES \$7.5 BILLION

In the past decade, we at Heinz have expanded and strengthened our big brands, extended our geographic reach, captured profitable niches and created in Weight Watchers a unique brand franchise with global growth potential. This was accomplished by pursuing focused, prudent strategies with flair and imagination.

Ten years ago, when I assumed the duties of chief executive officer, our total market capitalization was \$934 million. Today, with the same number of shares in issue, it is approximately \$7.5 billion, which reflects our financial success as well as the market's recognition of the value of our brands and its confidence in Heinz management.

We have expanded our operating profit margin each year of the decade, moving from 8.9% in 1979 to 13.9% in 1989. At the same time, marketing expenditures to support our big brands and new product initiatives have more than tripled. from \$136 million to \$483 million. As a percent of sales, marketing has grown from 5.6% in 1979 to 8.3% in 1989.

Heinz shareholders have clearly benefited from this success. Dividends have grown at an annual compounded rate of 16.2%, and the total return to Heinz shareholders over the decade, including price appreciation and dividends, has been a remarkable 966%, equivalent to a 26.7% annual compounded return.

Heinz posted, in convincing fashion, its 25th consecutive year of financial growth in Fiscal 1989. By any measure sales, income, earnings per share, return on equity, profit



Dr. Anthony J.F. O'Reilly, Chairman, President and Chief Executive.

margins - your company has set a new and higher standard for performance and value. This past year, our gross profit margin stood at 38.8% of net sales, decidedly superior to the 33% margin recorded for 1979. As part of our growth strategy, these expanding margins are applied to support new and existing brands, while consolidating our record of brand leadership.

Today, Heinz brands remain a surrogate for reliability and security in an uncertain world, and they increasingly evoke healthier and more convenient lifestyles. Ten years ago, we anticipated the burgeoning health and wellness trend by purchasing Weight

Watchers. This company, bought for \$100 million, is now positioned to become the world's pre-eminent force in healthy eating.

Finally, let me say that the growth of any food company must be dependent not only on seizing opportunities in changing world markets but also on generating internal initiatives which foster innovation and a competitive entrepreneurial spirit.

Following upon the success and continued application of our low cost operator programme at Heinz, we have added Total Quality Management (TQM), which is galvanizing our entire corporation.

TQM, together with our clear sense of strategy, will result in an even more dynamic Heinz and ensure that the achievements of the past 10 years are but a precursor of greater

Sales	\$5,800,877,000
Pre-Tax Profit	\$724.891.000
After Tax Profit	\$440,230,000
Net earnings:	up 14.0%
Earnings per share:	up 14.8%

Extracts from the statement to shareholders of H.J. Heinz Company by the Chairman. President and Chief Executive, Dr. A.J.F. O'Reilly, for the year to 3rd May, 1989.

INTERNATIONAL CAPITAL MARKETS

Eurobonds dull as issuers wait for US GNP data

By Andrew Freeman

NEW ISSUE activity ground to a virtual halt on the Eurobond market, as a combination of factors restrained issuing opportunities. In the dollar sector, the market is awaiting Thursday's US GNP figures, but however these figures are interpreted, the lack of arbitrage opportunities makes it unlikely there will be many deals.

INTERNATIONAL BONDS

In addition, the relatively heavy issue volume over the last two weeks has left syndicate managers with plenty of paper to place. The nearer August approaches, the less retail demand there is for bonds and the harder distribu-

Mercill Lynch was the lead manager of a C\$150m five-year issue for Abbey National Trea-sury Services, the company's first Eurobond deal since its conversion from building society status. The bonds came with a 10% per cent coupon and were priced at 101% to yield 73 basis points over Cana-

dian Treasuries. The paper was trading at less 1% bid, a discount equiva-lent to underwriting commis-

CANADIAN DOLLARS

Parco Co.*
Bank of Scotland(f)

D-MARKS Electricidade de Portugal \$

SWISS FRANCS Parco Co.(b)***§ Denki Kagaku Kogyo(c)*** Atsugi Nylon Ind.(d)***§

US DOLLARS

sions. A Merrill official said there was still pent-up demand for Canadian dollar bonds after a long period of dearth, but other houses were less confi-dent and thought there was still paper around from the recent BNP and Royal Trust

The lead manager would not comment, but it is understood the proceeds were swapped into floating-rate US dollars to achieve Abbey National's fund-ing target of around 12% basis points (% point) below Libor.

Two Japanese equity war-rant deals had good debuts, both trading at 105 bid, representing very healthy premiums to the par issue prices. Nomura's Y10bn deal for Fujikura International was described by the lead manager as effectively a private place-ment. The bonds will be redeemed in US dollars at a

fixed exchange rate.
In Germany, the expected DM100m seven-year deal for Electricidade de Portugal was brought by Bank of Tokyo. The state-owned utility's first Euro-bond deal had a fine reception.

Late in the day the lead manager was quoting the bonds at less 0.45 bid, way inside underwriting commis sions of 2% per cent. At that level the paper was yielding 6.84 per cent, compared with

NEW INTERNATIONAL BOND ISSUES

10158

1013

##Private placement. #With equity warrants. \$Convertible. #Verlable rate notes. #Final terms. a) Non-callable. b) Coupon fixed, Yield to put 3.847%. c) Call August 1990 at 101½ declining ½% p.a. d) Coupon fixed as indicated. Yield to put 3.937% [indicated 4.338%]. e) Redemption in USS. f) 40bp over 3-month Libor. Alternative margin 1% over Libor years 1-10, then

FT INTERNATIONAL BOND SERVICE

1995

Ather STRABGHTS
Abbey Nat. 11 % 95 S.
Aegon 74, 92 FL.
Alg. Bk. Ned. 51, 93 FL.
Alg. Bk. Ned. 51, 93 FL.
Austria 7 ig 94 ECU.
Sik. Nove Scot. 1.41, 90 AS.
Banclays Aus. 1.31, 91 AS.
Belgium 81, 94 92 Ecu.
BP Capital 9 ig 93 Ecu.
BP Capital 9 ig 93 Ecu.
British Airways 10 96 S.
Bufrmanni-Tet. 69, 93 FL.
Comm. Bk. Aust. 1.23, 93 AS.
Criocal France 91, 92 Eco.
Devt. Bk. Aus. 1.33, 93 AS.
Devische Bk. Fin. 1.5 94 AS.
Eastman Kodak 1.39 93 AS.
Devische Bk. Fin. 1.5 94 AS.
Eastman Kodak 1.39 90 AS.
E.I.B. 7 96 LFT.
E.I.B. 7 96 LFT.
E.I.B. 7 96 ECI.
Export Dv. Dr. 84, 92 Eco.
Fed. Bus. Dv. Bk. 10 ½ 93 CS.
Fed. Bus. Dv. Bk. 10 ½ 93 CS.
Ferv. Stato 74, 93 Eco.
Ford Cred. Fund. 1.01, 93 CS.
Ford Cred. Fund. 1.01, 93 Eco.
Ford Cred. Fund. 1.01,

the yield on recent Bunds of around 6.67 per cent. The pro-ceeds were swapped into floating-rate D-marks.

Demand was mainly retail as German investors tried to take advantage of a tax break which gave them a pick-up on what were otherwise considered to

be rather tight terms. The tax advantage is in the form of a 15 per cent reduction in notional witholding tax which the German Government offers as an incentive to encourage investment in lected countries.

In Switzerland yesterday, the market enjoyed the launch of the first Japanese equity warrant deal since the June post-ponement of the SFr150m issue for Shimano Industrial. That deal had an indicated coupon

of 2 per cent. Yesterday's issue was for Denki Kagaku Kogyo, and was launched by Banque Paribas with an indicated coupon of

2% per cent.
The last coupon fixed on a deal for a Japanese borrower

was 2% per cent. The Denki bonds had a solid reception against a good per-formance by the Tokyo stock market and the paper was trad-ing at less 1% bid, inside fees. The ex-warrant bonds were in steady demand for their yield of 6.60 per cent.

Closing prices on July 25

Closing prices on Juny 2: Change as | Bld 877er day went Yield | 1014 1015 0 +045 5.17 | 1014 1015 0 +045 5.23 | 984 983 +014 +015 5.23 | 985 983 0 +045 5.23 | 994 995 404 5.23 | 994 995 404 5.23 | 974 984 985 +015 5.25 | 1064 1075 0 +025 5.25 | 1064 1075 0 +025 5.29 |

Book runner

1%/14 Merrill Lynch

24/12 Bank of Tokyo

1%/14 Nomure Int.

Enimont issue set to raise L1,200bn

By Andrew Baxter in Milan

long-awaited THE international equity issue of a 20 per cent stake in Enimont, the big Italian chemicals group, is set to go ahead this autumn with shares priced at a 30 to 40 per cent premium to par value, to raise as much as L1,200bn.

The names of the underwriters of the issue, which will be one of the largest since the 1987 stock market crash, are due to be announced in the next few days by the three global co-ordinators, Methods anca, Crediop and IMI. These Italian financial institutions will form three of 14 under-writers to the issue in Italy, where around 55 per cent of the 850m shares on offer are

due to be sold.

An Enimont official indicated yesterday that around 40 to 50 institutions could be involved in the issue worldwide, based on comparisons with other similar equity

Enimont is the joint venture formed earlier this year through the combination of state-owned ENI's Enichem chemicals subsidiary and certain base and fine chemical sses of Montedison, the private sector company controlled by Mr Raoul Gardini's

Ferrazzi group. ENI and Montedison will each hold 40 per cent of the joint venture after the

Mr Sergio Cragnotti, Eni-mont's managing director, said the joint venture would represent up to 30 per cent of the market capitalisation of Milan Bourse-quoted chemical COLCETIS

The 31 companies currently in this sector have a total market capitalisation of about \$12bn and an average price earnings ratio of 13.5,compared with a prospective price earnings ratio of about six for Enimont.

The new shares will raise the number of Enimont shares outstanding from 3.4bn to 4.25bn and have a par value of

They will be listed in Milan and on the London Seaq Inter-national system.

Mr Cragnotti said the issue was one element of a two-part strategy to improve the company's financial ratios. The money raised, along with expected net profits of L1,000bn this year, would contribute to reducing the com-pany's debt equity ratio from two-to-one to less than one-to-one by the end of this

year.
At the same time, the two initial shareholders have agreed to waive dividends for at least three years, allowing Enimont to retain more cash for investment.

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By contrast, the new share-holders will receive a dividend for all 1989 even though they will not have to pay for the shares at least until Septem-

Mr Cragnotti said this would raise the effective 1989 divi-dend yield above the average of 3.5 per cent for Milan-quoted chemical companies. Foreign and domestic financial institutions are currently being solicited by the global co-ordinators to act as under-

writers. The intention is for a public

rise intention is for a public issue in Italy and for an institutional placement internationally, with a private placement in the US.

However, Enimont is keen for the shares to end up in individuals' hands in markets where there is a strong retail sector, such as Switzerland sector, such as Switzerland and West Germany. Morgan Stanley is advising on the international segment of the

issue.

The issue is being directed mainly at European investors, partly to reflect and accompany Enimont's ambitious European expansion plans ahead of the 1992 EC internal

market.

Complex provisions for a realignment of the joint venture after three years could lead to either ENI or Montedison having majority control eventually or even to the joint venture being established after six years, but officials are confident that this would not effect investor potentials.

Indeed Mr Cragnotti said Knimont felt ready to be a public company and that its programme of rationalisation and standardisation would allow it to offset any adverse effects of a downturn in the worldwide chemicals industry.

Mr Lorenzo Netti, Enimont's

industry.

Mr Lorenzo Netti, Enimont's chairman expressed confidence that the company would be able to push through its planned rationalisation measures — it wants to cut its workforce of 50,000 by 10 per cent over the next few months.

workforce of 50,000 by 10 per cent over the next few months — in spite of any political pressures from Rome. Roadshows of the issue are due to begin in September when the company will reveal further details of its recent financial performance. financial performance.

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N.H.L. Finance 64, 95.

Nippon Telg. & Tel. 6 95.

Oesters, Konthb. 5 93.

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994 +04 +04 7.83	Bank of Greece 99 US 014 99.70 99.80 B/09 10.62
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INTERNATIONAL CAPITAL MARKETS

Speculation of monetary easing causes flurry in US

By Janet Bush in New York and Katharine Campbell in London

THE US Treasury bond market bias towards easing and that a the market, as officials tend to THE US Treasury bond market had a burst of excitement yesterday morning when the US Federal Reserve omitted to announce an expected draining operation, triggering speculation that it might have begun more monetary easing.

At midsession, the Treasury's benchmark long bond was quoted to point higher for a yield of 8.12 per cent, off earlier highs.

An easing move yesterday was not expected, as bond analysts had concluded that the US Federal Reserve would wait

GOVERNMENT **BONDS**

until the August 4 release of July employment figures, or at least until tomorrow's preliminary figures for second-quarter GNP were out.

At the least, the omission of matched sales looks suspicious. Bond analysts were caucious about interpreting this as an easing, particularly as today is the last day of the statement week and Fed funds, which yesterday dipped to 9% per cent, were expected to

move up again. Opinion was divided on whether yesterday's figure jus-tified an easing now. Some analysts said that the durable goods orders were not weak enough to justify a move and that the employment cost index did not suggest an easing

of inflationary pressures.
US durable goods orders, a
particularly volatile series, rose by 0.3 per cent in June, near to analysts' expectations, but fell 0.7 per cent once

defence orders were excluded.

The ECI, watched closely as an indicator of wage pressures, rose 1.1 per cent in the second quarter, compared with a 1.2 per cent gain in the first quar-ter and a 1.1 per cent rise in the second quarter of last year. Although wage pressures have not accelerated, they have not slackened either.

The Fed may have had little to do as far as its reserves position was concerned by the end of the statement period and therefore decided to tolerate a lower Fed funds rate for a day or two. However, bond analysts widely believe that there is a

decisive easing move is expec-ted within the next two weeks. It is only the timing that remains uncertain and toleration of a lower rate may be a small step from an actual eas-

ing.
The other news of interest yesterday was that the Senate Finance Committee approved a bill to increase the current \$2,800 bn debt limit by \$80bn until October 31. This was widely expected, as Congress wants the August quarterly refunding to go shead without any hitches.

■ YESTERDAY'S advance in the Japanese government band market was largely founded on technical factors and, in the absence of much underpinning from the fundamentals, dealers are questioning the durability of the upticks during the past

During the morning, futures activity set the tone, as traders began covering short positions in the key September contract, in anticipation of rollovers into the next series. This sparked some retail interest in cash securities, so that the benchmark no.111 bond clesed to yield 5.125 per cent, some six basis points firmer than Monday's close. The September futures contract closed at 105.60, 32 basis points higher

than the previous day.

The Ministry of Finance is likely to set terms for the auction of the new August 10-year bond tomorrow. This has also contributed to the buoyancy of

bolster sentiment ahead of the monthly auction.

■ THE UK gilt-edged securities market was almost paralysed yesterday, with prices unchanged in many stocks. Monday's Cabinet changes had little effect. With the Chancel-lor still in place, City dealers left the wider implications of the rearrangement to the polit-

Today's trade data for June Today's trade data for June is also unlikely to affect gilts, a number of dealers contended. Although an improvement in the trade deficit could benefit sterling, continuing high interest rates at the short end, implying a negative cost of carry for long gilt holdings, leaves little room for upside manoeuvre.

The Sentember long gilt

The September long gilt futures contract closed & of a point weaker at 95-24.

■ GERMAN bonds moved up significantly yesterday, partly on the back of a weakish dol-lar, but also, it was rumoured, lar, but also, it was rumoured, because of the presence of a large US buyer of 10-year stock during the morning session.

At the official fixings bonds were marked up as much as 25 pfennigs in places, while the Federal 6% per cent bond due 1999 was priced 15 pfennigs up at 100.55 to yield 6.67 per cent.

Later in the day, a drop in Later in the day, a drop in import prices - showing a 5.3 per cent increase in June compared with 7.1 per cent in May - helped prices firm another 5

Technical Date/ATLAS Price Sources

GOVERNMENT	_

_		Coupou	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILT	S	13.500	9/92	106-21		10.94	10.91	11.61
		9.750	1/98	97-07	-1/32	10.25	10.28	10.76
	•	9.000	10/08	97-00		9.34	9.35	9.74
US TREA	SURY '	9.125	5/99	107-13	+4/32	8.02	8.12	8.31
		8.875	2/19	108-14	+8/32	8.12	8.16	8.27
JAPAN	No 111	4.800	6/98	96.7599	+0.266	5.13	5.25	5.40
_	No 2	5.700	3/07	106.5651	+0.199	5.00	5.03	5.15
GERMAN	Y	7.000	2/99	102.3500	+0.200	8.65	6.70	6.74
FRANCE		8.000	1/94	97.3573	+0.142	8.71	8.87	8.90
	OAT	8.125	5/98	97.5500	+0.230	8.49	8.60	8.65
CANADA	•	10.250	12/98	105.4750	+0.105	9.35	9.41	9.44
NETHERL	LANDS	7.000	3/99	99.5000	+0,080	7.07	7.09	7.14
AUSTRAI	LIA .	12,000	7/99	92.0989	+0.102	13.46	13,47	13.63
		denotes Ne et standard			estakon IS, UK in 3	32nds., (others in	decimal

UBS delays | US mulls tax on foreign investors action on **Blue Arrow** involvement

By William Dullforce

UNION BANK of Switzerland in Zurich continued to decline to comment yesterday on its role in the Blue Arrow affair. Two of the four executives named in the DTI report are still employed at Phillips and Drew, its London stockbroking subsidiary, and UBS was understood to be waiting for NatWest's lead before deciding

Natwest's lead before decising how to react.

This may take some time as Mr Robert Studer, president, and Mr Rudolf Müller, executive vice president, UK, are on holiday. Responsibility rests with Mr Ulrich Grete, executive vice president, who was in New York yesterday.

The Swies stock market has The Swiss stock market has taken UBS's involvement

coolly.

UBS cannot be faulted under the Swiss Companies Act, which does not require investors to disclose securities holdings when they reach a given size. Moreover, it is common Swiss practice for banks underwriting bonds to keep parts of an issue on their books before placing them However, Swiss banking law does have a "fit and proper" clause similar to that in UK law, defining the behaviour expected of banks. In 1987 the Swiss Banking Commission

initiated an inquiry under this clause into Bank Leu's role in the Guinness affair.

Mr Daniel Zuberbühler, deputy director, said yesterday that the commission had received a copy of the DTI

report, was studying it and "may have to ask the bank [UBS] a few questions." In its report on Bank Leu, which had bought £200m worth of Guinness and Dis-tiller shares in a buy-back deal, the commission stated that a Swiss bank active on foreign Stock Exchanges had to "adhere to the local laws and customs, so long as these are not contrary to the Swiss

legal system." The commission added that participation in manipulating securities prices was inadmissible under Swiss law and incompatible with sound bank

Norma Cohen on a controversial plan to help cut the budget deficit

proposed bill aimed at reducing the US budget deficit will for the first time set capital gains taxes on foreign investors in the US - a move that its critics charge will violate virtually all of the US's existing tax treaties barring double taxation of non-res-

While the bill's drafters argue that it does not — and the US Treasury has implicitly agreed - the obscure clauses in the new legislation are bound to cause a stream of pro-test from those who have been among the most vigorous providers of direct foreign investment in the US.

Direct foreign investment in the US has soared in recent years, rising to \$65bm in 1988 from \$40.3bm in 1987, of which funds from the UK have constituted the largest share. A free-market economy and concern about the burgeoning US trade deficit have made the Reagan and Bush administrations extremely reluctant to take steps to curb foreign investment, despite appeals from some influential segments of

the business community. But recently, anti-foreign investment sentiment in the US has reached the ears of lawmakers. Several hills are now pending which, in one form or another, would require foreigners to obtain some sort of approval before being allowed to purchase major US busi-

On the tax front, legislators are asking whether they may kill two birds with one stone by having unwelcome foreign investors help close a yawning

US budget deficit.
To be fair, it is difficult to tell Americans that tax loopholes will remain for foreigners but will be closed for citizens in an effort to reduce the budget deficit. And perhaps most

significantly, foreigners don't ner that will have no signifi-

Staff of the Joint Committee on Taxation, a bi-partisan committee of House and Senate members, said that the tax proposals originated from concern that corporate takeovers by foreigners pose certain dangers to the US economy, both from a revenue and a competitive point of view. "There is definitely the feeling that the US tax structure provides benefits to foreigners that it does not to

instance, do pay capital gains tax and President Bush has apparently abandoned his plans to eliminate it. According to calculations prepared by the Joint Commit-tee on Taxation, revenues to be US investors," said a senior raised by both tax changes are

cant impact on foreign

investment. Furthermore, they

are designed to close certain loopholes through which for-

eigners avoid paying the same taxes levied on American investors. Americans, for

Anti-foreign investment sentiment in the US has reached the ears of lawmakers. Several bills are now pending which would require foreigners to obtain some sort of approval before buying US companies

to level the playing field."

One proposal would impose withholding taxes on foreigners' sales of stock in a US cor-poration if the seller owned more than 10 per cent of that company. Up until now, for-eigners have paid no tax of any sort in the US on profits from sales of investments. They have, however, been subject to tax in their own country as specified in most of the US's double taxation treaties with other countries.

The other proposal - known as the "earnings stripping" rule - would treat certain interest payments that US corporations make on loans from foreign affiliates as dividends, thus ending tax deductions now available for them.

Staff of the Joint Committee and the House Ways and Means Committee, in response to criticism that the proposals will have a negative effect on the US economy, say the pro-posals are structured in a man-

staff member. "This is an effort minimal. The earnings stripping proposal would would raise no more than \$28m in 1990, rising to \$49m in 1994. Meanwhile, the change in capi-tal gains taxation would return

no more than \$5m per year to the US Treasury's coffers.

Mr Leslie Samuels, a partner
at Cleary Gottleib Steen and Hamilton, a US-based law firm, said he believes the committee's calculations underestimate the amount of revenue that would be raised, provided there is no resulting with-drawal of foreign investment from the US. He added that the tax proposals represent a bow to the anti-foreign investment mood sweeping the US as for-

eign merger activity steps up. Furthermore, he argues, the rules would require writing burdensome regulations which have the effect of inhibiting

capital markets transactions a counter-productive exercise. But staff to the Congressio-nal committees on taxation argue that the proposals are

not nearly as onerous as they sound. The "earnings strip-ping" rule, for instance, will only be applied on net interest income — the difference between a company's interest income and its interest expense. Even then, the tax deduction on interest income will only be disallowed on that portion of interest payments to the overseas parent that is more than 50 per cent of the US subsidiary's taxable

Mr Samuels argues that such a rule limits US companies' abilities to call on the credit ratings of their stronger, over-seas parents who can borrow at finer rates than the subsid-iary could on its own.

But US Congressional tax staff argue that much of these so-called borrowings from foreign parents and the interest payments they inspire, are sim-ply a dividends in a tax-deduct-able form designed to fool US

tax authorities.

"We believe that the practice [of dividends masquerading as interest payments] is widespread," said one staff member. "Most of us on the committee staff have spent years in pri-vate practice devising just such strategies for corporate clients." Net interest payments on legitimate borrowings from foreign affiliates are not likely to be greater than 50 per cent of taxable income per year.

Meanwhile, committee staff members argue that the the capital gains proposals have been drafted specifically to avoid bringing most foreign investors into the catchment net. The foreigner would have to own at least 10 per cent of the US company before capital gains tax would be imposed – and that level of taxation is much more than that placed on US investors disposing of their

Bank of Scotland launches variable-rate note issue

By Andrew Freeman

THE BANK of Scotland yesterday announced an undated variable-rate note issue, the first such deal by a UK bank. The initial \$200m was increased to \$300m by Merrill Lynch International, the sole lead manager, following strong demand for the paper in Europe and the Far East.

The par-priced notes offered an initial yield of 40 basis points over three-month Libor. Underwriting commissions were not disclosed.

Because the notes are undated, investors are offered a significant alternative margin of 1 per cent above Libor for the first 10 years and 1%

per cent over Libor thereafter. This gives them some protection should market conditions deteriorate to the point that a yield cannot be agreed by the borrower and issuing house. The notes are attractive to banks because they qualify as Upper Tier 2 capital under the

laid down by the Committee of Banking Supervisors in Basle. In June, the Bank of England gave the Royal Bank of Scotland permission to issue a \$400m floating-rate note hybrid issue, but ruled that any such deals would in future not qualify as Upper Tier 2 cap-

WORLD COMMODITIES PRICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS		Tues	day ju	ly 25	1989	_	Jul 24	加 21	Jai 20	(abelox) 930
Fiq	& SUB-SECTIONS gures in parentheses show number of stocks per section	index No.	Day's Change %	Est. Earnings Yleki% (Max.)	Gross Div. Yield% (Act at (25%)	Est P/E Ratio (Net)	xd adj. 1989 to date	index No.	Index No.	Index No.	index No.
1	CAPITAL GOODS (206)	985.51	+8.4	18.74	4.08	11.43	16.49	981.51	991.70	998.68	
2	Building Materials (29)	7213.22	+8.2	12.92	4.35	28.35	25.92	1210.97	1218.12	1229.87	
3	Contracting, Construction (37) Electricals (9)	1616.12	+6.1	14.48	4.35	9.86	32.70	1614.88			1690.07
4	Electricais (9)	2946.00	+0.4	8.10	3.91	15.23	59.60	2934.42		2967.80 2258.72	
- 5	Flacteunics (400)	122001./34	+1.0	8.56	3.27	15.25 12.62	23.95 9.58	2247.18 544.57	2267.48 553.38	2236.72 258.85	
6	i Miechanicai Engineering (55)	1 3457.0	+0.2	9.75 19.43	4.81 5.64	5.65	3.23	527.21	538.32	532.51	497.32
8	Metals and Metal Forming (6)	344.18	+8.7	19.75	4.41	10.92		301.32	365.66	348.23	280.57
	Motors (17) Other Industrial Materials (23)		+0.3	9.22	418	12.96	32.74	1673.46	1698.09	1714.56	
10	CONSUMER GROUP (186)	1200 48	+8.6	3.50	3.46	14.71	20.25	1296.48	1302.88	1384.67	
21	Brewers and Distillers (22)	7456 19	+0.2	9.37	3.43	13.34	21.75	1422.62	1434.53	1432.56	
25	Cond Magnifecturing (20)	11 120 64	40.7	254	3.51	14.66	28.55	1388.50	1198.88	1284.62	
25	Food Retailing (14)	2472.24	+8.3	816	2.79	16.17	32.27	2464.49	2483.12	2484.39	1982.69
77	Uasteb and Unimabald (121)	U7314 411	+1.6	6.39	2.57	17.77	22.20	2291.66	2308.82	2321.93	1831.68
20	Leisure (33)	1719.25	+0.6	7.43	3.24	16.84	29.19	1709.54	1727.28	1728.15	1329.30
31	Packaging & Paper (15)	683.64	+1.3	9.65	4.07	13.68	8.30	595.87	598.21	MALES	531.86
32	Publishing & Printing (19)	13693.27	+1.2	8.48	4.50	15.12	72.88	3649.88	3680.53	3660.85	3512.27
34	Stores (34)	j 364.24	+1.1	10.42	4.21	12.52	16.19		169.48	\$68.72	
35	Textiles (15)	4 552.99	+0.2	10.83	5.26	11.65	14.97	557.38	553.72	555.A7	604.78
40	ATUES CONTIDE (8.4%	IT 187 AA	+8.6	9.65	3.99	12.60	19.58	1175.63	1187.44	1192.41	892.24
41	Agencies (17)	1417.98	+8.1	7.46	2.38	16.61	15.62		1416.71	1416.46	
42	Chemicals (23)	1316.81	+1.1	10.69	4.54	11.05	27.02	1313.65		1301.28	
43	Conglomerates (13)	11686.68	+8.9	18.04	4.83	11.66	26.22	1672.16		1711.15	
45	Transport (13)	2447.27	+8.2	8.58	3.68	15.15	39.22			2528,87	
47		1078.30	+8.3	13.37	4.60	21.46	22.38 24.45		2051.29	1165.52 2034.57	955.82 1185.32
48	Miscellaneous (26)	2048,85	+8.8	7.99	2.91	14.20		2032.74			
49	INDUSTRIAL GROUP (486)	1204.37	+0.5	9,44	3.78	13.66	19.58	1197.82		1214.31	973,32
51	Oil & Gas (14)	2166.58	-01	9.81	5.16	13.56	64.24		2187.92		
59	500 SHARE INDEX (500)	7286.86	+8.5	9.49	3.96	13,12	23.15	1288,16	1292.76	1297.34	1945.9k
41	FINANCIAL GROUP (125)	770.58			518	- i	18.13	779.38	779.17	789.91	789,05
45	Banks (9)	748.34	-0.3	23.09	6.44	5.69	21.71	758.34	762.18	761.79	685.17
45	loggrance (Life) (R)	1178.52	+6.4	(- i	5.10	l – I	25.84	1165.31		1186.15	
66	Insurance (Composite) (7)	611.60	+9.2	l - 1	5.88	-	16.75	618.27	617.26	624.21	554.62
67	Insurance (Brokers) (7)	4 979.53	-0.3	7.78	6.40	17.29	31.63	971.25	975.33	964.87	998.94
68	Merchant Banks (2.2)	364.63	-0.5	∱ <u>-</u>	4.26		7.30	366.49	372.M	363.89	356.99
49	Property (52)	1367.35	+0.4	6.17	2.85	28.64	16.89	1362.34	1371.41	1379.95	1215.93
70	Other Financial (31)	377.12	-8.4	11.27	5.80	11.32	9.63	378,77	381.71	388.30	379.78
71	Imperment Trusts (69)	1207.84	+0.5	ł – I	2.73	i . - i	15.02	1202.28	1206.06	1206.73	914.55
81	Mining Finance (2)	678.47	+1.0	8.19	3.79	13.66	10.45	671.83	673.35	674.16	527.46
91	Overseas Traders (8)	1412.88	+8.3	I0.49	5.25	10.84		2498.49			_
	ALL-SHARE INDEX (704)	1159.93	+8.4	', ' ;	4.11	· -	21.60	1155.26	2166.44	1170.15	958.28
_		index	Day's	Day's	Dag's	- 18	Jel	ᆁ)di	Jel	Year
	·	No.	Change	High (a)	Frank (ps)	24	21	20	19	18	<u> ago</u>
	FT-SE 100 SHARE INDEXS	2269.4	+19.3	2269.7	2250.0	2259.1	2283.6	2252.3	2292.5	2273.1	1837.7
	· , ·										

	FIX	ED I	NTE	RES	P			AVERAGE GROSS REDEMPTION YIELDS	18 JUN 25	Mon Jul 24	Year ago (approx.)
	PRICE INDICES	Tue Jul 25	Day's change %	Mon Jul 24	xd adj. today	xd adj. 1989 to date	1 2 3	British Government Low 5 years Coupons 15 years	9.75 9.27 9.15	9.77 9.27 9.14	9.54 9.45 9.23
_	5-15 years	118.08 133.19 145.68	+0:01	118.02 133.17 145.67	 - -	7.90 7.80 7.09		Medium 5 years	10.56 9.69 9.32 10.67 9.92	18.57 9.69 9.32 10.68 9.91	10.00 9.68 9.45 10.10 9.84
4	irredeemables All stocks	166.57	+0.02	166.53 131.09	<u>-</u>	7.32 7.56	10	25 years Irredeemables	9.52 9.22	9.51 9.22	9.49 9.67
7	Over 5 years	139.60 137.30 137.35	+0.12	139.43 137.13 137.18		1.36 2.33 2.24	년 14	inflation rate 5% Over 5 yrs. inflation rate 10% Over 5 yrs. inflation rate 10% Over 5 yrs.	3.20 3.56 2.39 3.39	3.23 3.57 2.42 3.40	2.84 3.85 1.78 3.68
9	Debestures & Loans	113.28	-0.08	113.37		·· · · ·	15 16 17	Beix & 5 years	12.41 11.86 11.35	12.44 11.86 11.32	10.88 10.85 10.85
	•		!	: '	1; Noon 2 is record,] 18	Preference	10.27 3.30 pm 22 shed in Sat 9HiL price	10.25 67.6; 4 po arday issoe 150, by po	

British Fonds Corporations, Dominion and Foreign Bonds Industrials Financial and Properties **LONDON RECENT ISSUES** EQUITIES Times Great P.E. Card York Bath 177 27 72 59 52 19 60 112 1506 20 46 87 1113 47 16 177 30 31 38 110 118 30 34 128 Judy, Abbey National 10p 36 HAMBERS for Sec. Gep. 5p 100 HAMBERS for Sec. Gep. 5p 110 HAMBERS for Sec. Gep. 5p 111 HAMBERS for Sec. Gep. 5p 111 HAMBERS for Sec. Gep. 5p 112 HAMBERS for Sec. Gep. 5p 113 HAMBERS for Sec. Gep. 5p 114 HAMBERS for Sec. Gep. 5p 115 HAMBERS for Sec. Gep. 5p 116 HAMBERS for Sec. Gep. 5p 117 HAMBERS for Sec. Gep. 5p 118 HAMBERS for Sec. Gep. 5p 119 HAMBERS for Sec. Gep. 5p 110 HAMBERS for Sec. Gep. 5p 110 HAMBERS for Sec. Gep. 5p 111 HAMBERS for Sec. Gep. 5p 112 HAMBERS for Sec. Gep. 5p 113 HAMBERS for Sec. Gep. 5p 114 HAMBERS for Sec. Gep. 5p 115 HAMBERS for Sec. Gep. 5p 116 HAMBERS for Sec. Gep. 5p 117 HAMBERS for Sec. Gep. 5p 118 HAMBERS for Sec. Gep. 5p 119 HAMBERS for Sec. Gep. 5p 110 HAMBERS for Sec. 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Gep. 5p 110 HAMBERS for Sec. Gep. 5p 111 HAMBERS for Sec. Gep. 5p 112 HAMBERS for Sec. Gep. 5p 113 HAMBERS 30 09 33 355 FIXED INTEREST STOCKS Amtent Paid ID Latest Respec Date Clasing Price £ #152 Regio Grp. 91-pr. Cz. Briz. 1999 112p Caritan Corners: & Sp (Ned) Cz. Rd. Pf Sp 99p Nartwell 72-p (Ned) Cz. Pf. St 10pora Lunden Secs. Sp. Par. Cr. Rd. Pf. 973, M. wide Anglia 12-5-pr. Briz. 23.7-90 974, M. & Zipt Index Linked 2014 101p Duen & Robinson St. pr. (Ned) Cz. Pf. 52pora Spenissance Hildge St. pr. Cr. 1 1994 53051-2 Templeton Emery. Miths. 1pc Uns. 2001. 1004:p WPP 8.25p Ca. Rd. Pf. 10p C187 1049 +1 1009 +1 2008 1025 1009 -1 1025 -1 1009 -1 1009 -1 £190 100p 100p 100lp 100lp 100lp 100lp 100lp 110lp 110lp 28/7 RIGHTS OFFERS Clesing Price P Price Amount Price Paid D #9 Renunc Date High Los Com. 1 Spin Apply-Extern Plantizations ... 712 Bear Brand ... 6pm addition to the spin service of the spin service ... 5pm ... 6pm addition to the spin service ... 6pm addition to the spin service ... 6pm addition to the spin service ... 6pm apple ... 6pm addition ... 6pm addition ... 6pm addition ... 6pm addition ... 6pm ... 6pm addition ... 6pm 9mm -2½ 25mm +1 114 +1 9mm -1 24mm -1 14mm +2 6mm +2 25mm +2 10mm +2 11mm +2 11mm +1 11mm +2 1 161₂ par 28pm 111₄ 10pm 69m 30m 14pm 21₄ pm 10pm 10pm 10pm 10pm 10pm 14pm 14pm 14pm RS-REPESER RELEVED 6.KJ (427 23/6 23/8 2/8 I.C.I. (*1267 a Acoustical dividend is Figures based on prospectus extension deep management on part of capital, core based on dividend and followed in full capital, a Acoustic dividend and yield and yield excitor special againsts. A Forecast, or estimated annualized dividend rate, cover based on previous year's carnings. H Dividend and yield based on Prespectus or other official estimates for 1993. I. Estimated annualized dividend, cover and pipe based on bases annual prospectus or other official estimates for 1993. I. Estimated annualized dividend, cover and pipe based on bases and prospectus or other official estimates for 1999. Of Cover. R Forecast, annualized dividend, cover and pipe ratio based on prospectus or other official estimates for 1999. Of Cover. R Forecast, annualized dividend, cover and pipe ratio based on prospectus or other official estimates for 1999. Of Cover. R Forecast, annualized dividend, cover and pipe ratio based on prospectus or other official estimates for 1999. Of Cover. R Forecast, annualized dividend, cover and pipe ratio based on prospectus or other official estimates. W Pro Forent passed by moder 4. Official of the pipe ratio based on prospectus or other official estimates. W Pro Forent passed by moder 4. Official of the pipe ratio based on prospectus or other official estimates. The pipe ratio based on the pipe ratio based on prospectus or other pipe ratio based on prospectus or other pipe. The pipe ratio based on prospectus or other pipe ratio based on prospectus or other pipe ratio. Land Si (*587) TRADITIONAL OPTIONS ● First Dealings ● Last Dealings ● Last Declarations Calls in RHM, Tusker, Dowly, Amstrad, Mid & Scot, Honorbit, Body Step, Deminion, Sketchley, N. Eng Prop, S. Daniels, Arabax, ADT, Charterhall, Smith & Nephew, Woodrow, Puts in Tuster. P/C Tuster.

LONDON TRADED OPTIONS

capital adequacy guidelines

BRITISH PETROLEUM commanded most of the attention on the London Traded Options Market yesterday, tollowing its wont of recent days in the run-up to the expiry today of July options in stocks such as itself.

It was in general a quiet day, with only 33,967 comtracts traded, of which 24,346 were calls and 187

Oils sector, which has joined the gradual shift of the market mechanism to a market mechanism to a threating 1,032 contracts and an opening of position of 1,030 to 5,240, and the second 1,000 contracts but an opening of position of only 65 contracts to 3,051, STC, another stock with an expiry date today, found 2,409 contracts — 2,222 calls and 187

wont of recent days in the run-up to the expiry today of July options in stocks such as itself.
It was in general a quiet day, with only 33,967 contracts traded, of which 24,346 were calls and 9,621 puts. The top three most heavily traded stock had each one a July expiry, as did five of the eight most heavily traded. The dealings in BP saw 3,832

Ine dearings in BP saw 3,632 contracts in total, consisting of 3,090 calls and 742 puts, with an early count showing some downwards swing in open interest in series such as the July 260 and 280 calls. A full analysis of dealers in the extent on the stock letter. ings in the option on the stock is complicated by its being in the

10.3 points of the previous day's loss, to end at 2,269.4, with dealings in it on the London Financial Futures Exchange for September delivery showing a touch of down-

wards pull, after making allowances. British Steel, another July expiry stock, took second place in contract terms, on 2,519 con-tracts, of which 302 were calls and 2,217 puts. The underlying price of the stock rose 1p to 78p. The most heavily traded individ-

5,240, and the second 1,000 contracts but an opening of position of only 65 contracts to 3,051.

STC, another stock with an expiry date today, found 2,409 contracts — 2,222 calls and 187 puts — as the underlying share price fell 20 to 378p. The July 360 calls altracted 1,071 contracts calls attracted 1,071 contracts. British Gas found 1,613 contracts, with 993 calls and 620 puts handled. GEC saw 1,402 con-tracts, along with a 5p gain in the underlying share price, and with the August 280 call alone accounting for 641 contracts, out of a total of 1.232 calls — the puts coming to 170. BAT industries, ICI and Asda found some attention.

CALLS PUTS Jul Sep New Jul Sep Nov

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UK COMPANY NEWS

£50m disposal reflects strategy of concentrating on core businesses

All-round improvement at Goode Durrant

100

S&N sells British Tissues stake

By John Ridding

SMITH & NEPHEW, the healthcare and consumer prod-ucts group, is to sell its 50 per cent stake in British Tissues to Nokia, Finland's largest private sector company, for £50m. Following the sale, Nokia will hold all of the shares in British Tissues and will merge the company into a proposed joint venture arrangement

with James River of the US and Ferruzzi of Italy. The com-bined paper businesses will represent one of the largest players in the increasingly concentrated European paper tissue market. British Tissues, which was formed in 1967, is principally involved in the manufacture of

disposable paper products. It currently holds about 20 per cent of the UK market and last year reported pre-tax profits of £12.8m on sales of £109m. Smith & Nephew was one of

GOODE DURRANT, the industrial and financial man-

agement company which is fac-

ing hostility from its largest shareholder, boosted pre-tax profits 19 per cent in the year

to April 30.

Mr Michael Warring, the

chairman, yesterday unveiled

an increase in the pre-tax result from £9.5m to £11.3m fol-lowing a rise in turnover to

All sectors of the group's operations made increased con-

tributions to the result with

housebuilding and construc-tion increasing 75 per cent to £2.11m (£1.2m), vehicle and

equipment hire up to £1.92m (£944,000) and trade finance at

Sleepy Kids placing

Sleepy Kids is joining the Third Market with a \$1.4m pla-

cing which will finance the

production of a childrens' tele-

Brewin Dolphin is placing 7m shares at 20p, which will

give the company a market capitalisation of £4m. Dealings

The cartoon series will be centred around four children

and their dog, Potswoof, who

are transported to a magical

dream world when asleen.

vision cartoon series.

will begin on July 31.

By Ray Bashford

£235.4m (£149.98m).

£1.86m (£1.21m).

the British Tissues' four found-ers and increased its stake to 50 per cent in June 1980. Since 1973, Nokia has gradually built up its 50 per cent stake and the company as a whole represents about half of its paper industry

The agreement with its US and Italian partners involves the setting up of two joint ven-ture companies comprising the parties' European soft paper operations. It should be com-pleted by November this

Mr Jorma Ollila, Nokia's senior vice president said that the combined production of the various businesses will be about 420,000 tonnes per amnum, roughly equivalent to Scott Paper of the US, hitherto the undisputed European mar-

Although Nokia will hold 50 per cent of the joint venture

The chairman said that the

company had concentrated its efforts in housebuilding in the

north west of England where conditions had remained buoy-

ant and insulated from

the downturn in the south

further expansion in the

vehicle equipment hire busi-ness which could be financed

from the cash reserves which at present stand at £30m. The size of the cash reserves

are seen as one of the attrac-tions which the company has to potential predators. Earlier

this month an investment com-

pany headed by the Nash fam-ily which controls investments in South Africa and the US

ADVERTISEMENTS offering to

send replacements to Abbey National members who have

still not received their share

certificates through the post

are appearing this morning in the Financial Times and the

The advertisements are a

measure of how extremely wor-

ried the former building soci-

ety, which floated on the stock

market earlier this month, has

other national newspapers.

By Clare Pearson

The company is considering

company which includes its own paper operations and 20 per cant of the other new company, analysts believe that the joint ventures may be a prelude to its gradual withdrawal

from the paper market.
They argue that Nokia is focusing increasingly on its electronics businesses despite their disappointing performance in 1988, and claim that it has held talks about the disposal of its paper

However, while Mr Ollila agreed that paper was not a core business of the group he denied that such talks had been held and said that "in the medium term at least we remain committed to the paper industry."
He said that the maturity of

the Scandinavian paper market meant that Nokia had to oper-

1967 1988 1969

took a 15 per cent stake in the company from FAI Insurance,

become about losing the good-will of its customers through

hitches in the delivery of

certificates and refund

They carry a "sincere apol-

ogy" from both Abbey and Lloyds Bank, the registrars, both of which have come under

severe fire from customers for

their handling of the flotation.

Aggrieved members are being offered coupons which

Abbey offers to replace lost certificates

Goode Durrant

Share price (pence)

and that this would require heavy investment. For this rea-son the company felt it best to find partners.
For Smith & Nephew, the

disposal reflects its strategy of concentrating on its core medi-cal and healthcare businesses. Over the last few years it has sold off its packaging busi-nesses but the sale of its Brit-

ish Tissue stake is by far its largest disposal to date.

Mr Eric Kinder, chief execu-tive, said that the deal was "good value for Smith & Nephew shareholders" and that the proceeds would "restrengthen the balance sheet" after the acquisition of lopter research, a US eye lens manufacturer at the end of last

The sale is to be satisfied by the issue of loan stock which is guaranteed for 8 years by National Westminster Bank.

the Australian group headed

by Mr Larry Adler. Goode Durrant last week

rejected a request from the

family for two seats on the board and Mr Warring was yes-

terday clearly concerned about

the intentions of the new

will be required for the family to increase its holding beyond

15 per cent. A further 5 per

cent of the capital is being held in trust for the family by its

Earnings per share advanced to 14.3p (12.3p). The board is recommending a final dividend of 2.75p a share, lifting the total to 4.5p (3.33p) which represents a 35 per cent rise.

they can cut out of the newspa-per and send to the Abbey to

apply for certificates and

cheque refunds, subject to an undertaking to return any

such items that have already

been sent to them and eventually turn up in the post. Only those who registered for shares before the flotation,

and have not so far asked for a

replacement or received a let-ter from the registrars, may send in the coupons. The advertisements will also be placed in regional and Sunday

newspapers.
Mr John Fry, Abbey's director of group services, said this measure had been

prompted by the discovery towards the end of last week that some letters had — for a

Bank of England approval

attacked by Boots By Vanessa Houlder BOOTS HAS questioned the

Ward White

forecasts

foundations of the profits fore-cast made by Ward White, the retailer for which it is making

a £800m bld.

In a circular posted yesterday to Ward White's shareholders Boots focused on the lack of a breakdown of the profitability of individual businesses or the level of non-trading profits in the forecast. A 19 per cent increase in over-all pre-tax profits to £33m for the six months to July 31 had been predicted.

The bidder asked whether

property profits and exchange rate movements had contrib-uted to the forecast and suggested that a substantial amount of the forecast profit increase may have come from a first full contribution from A G Stanley, the home decorating retailer bought in June 1988.

The "surprisingly low" tax

charge was also highlighted. The tax rate implied by the forecast was about 28.5 per cent, compared with 33.9 per cent for the equivalent period

in 1968.

Ward White dismissed the questions as "nit-picking". It said that it would be very unusual to give a divisional breakdown in a profits fore-cast. There was no material contribution from property profits or exchange rate movements, it said.

The apparent drop in tax charge resulted from the use of a "realistic" tax charge in the forecast, compared with a the forecast, compared with a "prudent" charge used for the interim figures last year, it said. The 33.9 per cent tax used in last year's interims compared with a final effective tax charge of 30 per cent. Ward White's shares fell 6p

to 440p yesterday, compared with Boots' offer of 400p per share. Boots rose by 4p to

Conder makes £11m agreed US offer

Conder Group, construction company, has made an offer to acquire Bea-man Corporation, a US maker of pre-fabricated buildings and structures, for \$17.7m (£10.8m) in each.

The \$7-a-share offer, recon mended by the Beaman board, is the third and largest purchase buy-out Conder has announced since last month and marks the group's first move into the US.

The directors have also granted Conder an option to buy 500,000 new Bea-man common shares at the same price.Beaman reported pre-tax profits of \$233,000 in the year to January 31 1989 on turnover of \$52m.

reason not yet known – reportedly still not arrived in parts of eastern and central England, and south London. **DIVIDENDS ANNOUNCED**

	Current payment	Date of payment	ponding dividend	for year	last year
Clark, Metthewfin	7.5	Oct 6	6.5	13	11
Ewartfin	1.5†	Oct 20	1.2	2.25	1.7
Goode Durrantfin	2.75	Sept 15	1.5☆	4.5	3.33☆
Hughes Food §fin	1.25	`-	1.25	1.5†	1.5
Menvier-Swain §fin	3.6	Oct 2	28	5.2	4
Mosiac Invisfin	3.5†	Oct 6	2	5.5	3
Murray Smallerfin	2	-	1.45	2.65	2
Nester-BNAint		_	0.8	_	2.5
Radica 6int	0.75†	-	0.75	_	2.65
Sheathank Propfin	0.65	Nov 1	-	0.75	0.55
STCint	3.75	~	3	_	9
Tinsley Roborfin	1.35	•	-	2.1	•
Wood (John D)§fin	0.5	Oct 5	2.5	2	4

Dividends shown pence per share net except where otherwise stated. "Equivalent after allowing for scrip issue, tOn capital increased by rights and/or acquisition issues, §USM stock, §SUnquoted stock, #Third market, #Annualised from 18 months figures.

Red Funnel fires broadside at Sally's 'management failure'

By Andrew Hill

RED FUNNEL Group, the ferry line which plies between Southampton and the Isle of Wight, yesterday accused Sally UK Holdings of spectacular management failure and a "lack of strategic vision".

Red Funnel, the trading

name for Southampton, Isle of Wight and South of England Royal Mail Steam Packet, is Royal Mail Steam Facket, is defending a hostile bid from Sally, a subsidiary of the Scandinavian shipping group.

Although the bid is comparatively small, valving Red Funciel at just £30.9m in cash, it is not of a wider shake up in part of a wider shake-up in ferry services, involving a debate about the viability of

English Channel routes. Sally runs a ferry line between the port of Ramsgate, which it owns, and Dunkirk. Red Funnel's defence document, issued yesterday, said Saily "looked likely to be devastated by the opening of the Channel Tunnel and the pro-posed ending of duty-free sales

on cross-Channel services" But Sally's adviser, Tran-wood Earl, pointed out that Sally supported the tunnel, because it would broaden the

market for all types of Channel

crossing. Sally's rivals, Sealink British Ferries and P&O European Fer-ries, want to run a joint ferry service on their Channel routes. The proposal was referred to the Monopolies and Mergers Commission two days

Sealink's owner, Sea Containers, is itself fighting a hostile bid, worth \$824m, from

RED FUNNEL

Stena, the Swedish shipping group which wants to upgrade the Channel ferry business, and Tiphook, a UK container

rental company.

Red Funnel also highlighted
Sally's pre-tax losses between
1981 and 1987. Mr Michael Wilkinson, the Southampton company's chairman, accused Sally of wanting to exchange its poor ent, its losses, its vulnerable route and its debts for Red Funnel's management expertise, profits, secure route and cash.

The Sally camp said yester-day that since 1981 the group had spent money creating roll-on, roll-off port facilities from scratch at Ramsgate and building up a 10 per cent market share for its Channel ferry line in the face of fierce competition from Sealink and P&O. HIP.

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State of the

Mr Wilkinson said the bid "grossly undervalued" Red Funnel. He said the group had begun to implement improve-ments to its service before the Sally bid was launched last month. They included the building of a new ferry, and the upgrading of terminals and

ticketing systems.
Sally is trying to win 51 per cent of Red Funnel's shares and hopes to reverse into the listed company if the offer is successful. The bid is worth 205p a share against yester-day's unchanged closing price of 227p.

Nearly half of Red Funnel's shares are owned by local shareholders who enjoy free or discounted travel on the line. Sally has promised shareholders who accept the cash offer that they will retain all fare

Whitbread to retain both its brewing and pub sides

By Lisa Wood

WHITBREAD, the UK brewing and retailing group, intends to remain in its two core businesses in the UK and overseas, Mr Sam Whithread, the group's chairman, said yesterday. Mr Whithread, speaking at

the group's annual general meeting, said the company's expansionist policies would be pursued as strongly as ever now that the Government's stance over the Monopolies and Mergers Commission was

Whitbread, it was said by some City analysts, might have sold its brewing capacity had the original recommendations of the MMC been approved by

the Government.
The MMC had originally recommended that no brewer ommended that no brewer should be able to own more than 2,000 pubs — a proposal that would have forced brew-ers including Allied-Ly-ons,Bass, Whitbread and

Grand Metropolitan to consider selling up to 22,000 pubs. Some brewers however warned they would have sold their breweries rather than their pubs. This month the Government announced that brewers could keep all their pubs but 50 per

cent of those over 2,000 would have to be operated as free houses, freed of the tie. Mr Whitbread told shareholders there was no doubt that the pub and the beer business in the UK would have changed beyond all recognition if the MMC recommendations

had been implemented as origi-

nally conceived.

However he warned that the future of many small rural pubs would be in jeopardy once they were released from the tie since a full commercial rent would be imposed and it was doubtful whether these pubs would remain viable for the tenant.

Newgateway increases interest

Newgateway, the unsuccessful board, Newgateway is keeping bidder in the £2bn battle for control of Gateway, yesterday announced that its holding in up to 39.9 per cent. In addition, valid acceptances have been received and not withdrawn in respect of 1.16 per cent of the

company's shares.

Despite the fact that rival bidder Isosceles has already passed the 50 per cent mark, declared its offer unconditional and moved on to the Gateway

its offer open. The closing date has been extended to August 7, but could be extended again

Advisers to Newgateway, which represents Wasserstein Perella and Great Atlantic and Pacific Tea Company, declined to comment on the extension, but this action does mean it can continue to add to its stake in Gateway without facing any limit, to the extent that there are still shares available.

DRG shares up 22p on bid speculation By Maggle Urry

Shares in DRG, the Sellotape and Basildon Bond paper and packaging group, rose 22p to close at 562p as speculation about a possible takeover bid circulated in the stock market yesterday. Meanwhile, the group announced an acquisi-tion in the US.

Mr Moger Woolley, DRG's chief executive, said yesterday he knew nothing about a potential bid for the group or of any increase in the stakes held by Pembridge Investments, the vehicle of Mr Roland Franklin, a US-based investor, which has 10.8 per cent of DEG's equity, or Mr David Rowland, another investor, who has 3 per cent. tor, who has 3 per cent.
Mr Woolley said that DRG had been put in better shape for the future and it was being

run as tightly as possible. He said DRG had agreed to buy PacNational for \$8.75m, (£5.4m). It specialises in enve-lopes used by air couriers. DRG already owns the leading Canadian air courier envelope company and this deal will "reinforce DRG's position in market," Mr Woolley said.

Updown Investment

Updown Investment reported net assets per 25p share of 481.3p (395.8p) at June 30 1989. Gross income in the six months to end-June £272,841 (£262,155). Earnings per share were 4.48p (4.23p).

Securities, Mountleigh, Smith (David S), Soci Shop, Wood (SW).

Murray Smaller

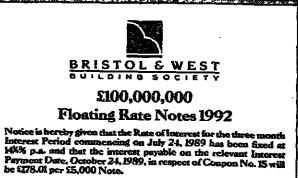
Net assets per share of Murray Smaller Markets Trust at the year ended May 31 increased from 180.4p to 251.9p and the proposed final dividend of 2p (1.45p) makes an improved total for the year of 2.65p (2p). Total revenue before tax increased to £2.39m (£1.86m) and after tax of £500,570 (£594,605) earnings per share after full conversion of the 'B' shares was 3.34p (2.22p).

The directors said prospects were bright in its main invest-ment area of south-east Asia and Europe.

BOARD MEETINGS

The following companies have notified dates of board resolings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based methy on last year's finetables.

Interior	
Eis	Sep. 1 Sep. 1 Aug. Sep. 1 Aug. Sep. Aug. July 2 July 2





& NatWest Capital Markets Limited Agent Bank

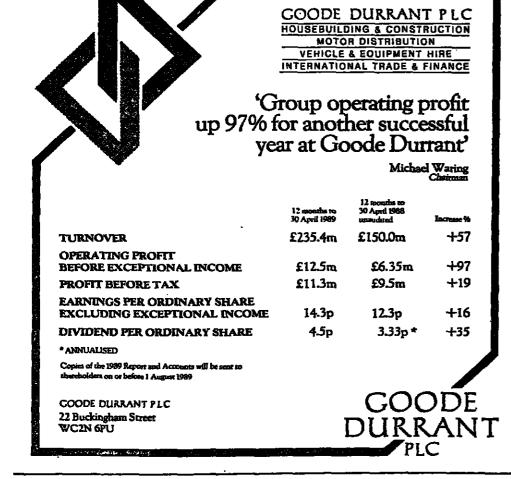


The Broken Hill Proprietary Company Limited gives notice that at 2.30 pm at the Hyatt On Collins Hotel, Melbourne on Tuesday, 28th September 1989 there will be a general meeting of shareholders at which there will be an election of Directors. in accordance with the Company's Articles of

Association, shareholder nominations for election to the office of Director must be received at the registered office of the Company not earlier than Wednesday, 2nd August 1989 and not later than Wednesday, 16th August, 1989. Nominations should be addressed to:

The Secretary
The Broken Hill Proprietary Company Limited Level 41, BHP House 140 William Street MELBOURINE VIC 3000

Shareholders will receive through the mail late in August the Notice of Meeting containing details of the business to be conducted at the Meeting.





The ordinary shares are listed on the Frankfurt Stock Exchange

The listing has been sponsored by

as from 13th July, 1989.

COMMERZBANK



A considerable prize in sight

David Barchard poses the likelihood of George

Younger becoming Royal Bank's chairman

an invitation to join the board

Yesterday RBS was keeping silent on Mr Younger's role, beyond saying that Sir Michael was delighted that Mr Younger as a future Foreign Secretary was dengued that ar rounger had accepted an invitation to join the Board. It would not say whether he would be an executive or a non-executive director, and declined to comment on the possibility that he would succeed as chair-

It seemed clear, however. that Mr Younger would not have decided to take an early retirement from politics unless he had a considerable prize in his sight. In the past year he has been several times tipped

he would succeed as chair-

HOUGH IT has not yet been formally announced that George

Younger, who resigned on Monday as Defence Secretary, is to become the next chairman

of the Royal Bank of Scotland, his eventual succession seems virtually assured. Sir Michael Herries, the present chairman, will be 67 early next year and has held the post for almost eleven years. There is no obvious internal candi-

date to succeed him. Mr Younger's ministerial record

and his relations with the bank combine to make him an exceptionally strong contender to head the UK's fifth largest



and was not among those min-isters in danger of being unwillingly discarded by the prime minister in the recent

Last week however Mr Younger informed his local constituency organisation in Ayr that he would be resigning shortly as Defence Secretary to go into business in Scotland, and that he would not seek re-election to the House of Commons at the next General Elec-

His particular appeal to RBS as a possible chairman goes back to 1981 when he was Scottish Secretary. Rival £500m bids for the bank from Hongkong and Shanghai Banking Corporation and Standard Chartered were vetoed by the Monopolies and Mergers Com-mission after a battle which had sucked in almost every major Scottish political "The removal of manage-

ment and control of the group from Scotland would be a serions detriment." the Commission said. This contrasted with the attitude of the bank's own management which had favoured a takeover by Standard Chartered.

The Commission's verdict was warmly welcomed by Mr Younger who was is still widely regarded in Scotland as having won the battle to retain Royal Bank of Scotland's inde-The bank has come to think

of itself as a major player in the UK market, competing aggressively with the "big four" clearing banks. It has acquired Citizens Financial of Rhode Island for \$440m, and last October it forged an alliance with Banco Santander of Spain.

UK COMPANY NEWS

Brierley facing strong opposition to Molins bid

SIR RON Brierley, the New Zealand businessman, is likely to meet strong institutional opposition to his 256.3m offer for Molins, the cigarette machinery maker.

machinery maker.

The potential threat to Sir Ron's second attempt to take over Molins emerged yesterday as institutions began considering the company's defence document which forecasts a substantial recovery in earnings.

Seven institutions controlling about 50 per cent of Moling ling about 50 per cent of Mol-ins' capital have given indica-tions that they will reject the 190p a share cash offer.

M&G, which led the opposition to the New Zealander's first bid in 1987, will head the opposition with its 18.5 per cent stake and will be suptogether control 10 per cent.
Sir Ron yesterday criticised
M&G for complacency in
remaining loyal to the Molins'
board. "M&G most certainly
should have been more
demanding with this company
since expressing the board. since supporting the board when the shares were 300p. But to them (M&G) this invest-

But to them (M&G) this investment is just a drop in the but in the but in the but in the but in the defence document was attacked by Sir Ron for providing an excessively potimistic image of the company's future. "This is just a repeat of what we heard two years ago at the time of our first offer. Suddenly everything is rosy in the

"Either we succeed in this offer or we fail. If we fail we will watch the shares slide and make another offer later at 90p," he said. Molins' shares firmed 12p to

209p yesterday following the release of the defence document which forecast pre-tax profits for the current year of \$13m, including a net credit of \$2.85m from the application of accounting standard SSAP 24 concerning pension costs, compared with £5m in the previous 12 months.

Mr Michael Wright, Molins' managing director, said that the offer, which places the shares on a price earnings mul-tiple of 6.6 times, was "totally inadequate".

Menvier breaks into French market with £9.6m purchase

By Andrew Hill

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property and the second

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MENVIER-SWAIN Group, the USM-quoted emergency light-ing and fire alarm company, has moved into the French market through the FFr 100m (19.6m) purchase of Luminox, another emergency lighting

The acquisition, Menvier's largest yet, will be partly funded by a 2-for-11 rights offer at 305p a share to raise £6.3m. About FFr 10m will be paid in new shares, with the balance coming from existing cash resources. The shares closed at

360p. down 2p.
Menvier, which claims a 25
per cent share of the UK emergency lighting market, also
announced pre-tax profits up
from £2.71m to £3.58m in the year to April 30. Luminox, based in the Auvergne region of France, makes battery-powered emer-

gency lighting products, and returned profits of FFr 12.8m on turnover of FFr 47.5m in During 1988-89, Menvier bought Blessing, a Netherlands lighting group. The group aims

to continue to expand its emergency lighting operations in continental Europe, building up a fire alarm business later.

Menvier's jurnover rose 42 per cent to them (£18.3m) last year, but mirgins were held back slightly by an increase in net interest charges to £201,000, following cish acquisitions. Earnings per share rose from 15.5p to 21p and the company is recommending a final dividend of 3.8, making 5.2p (4p) for the year.

for the year. In the Uk, sales of fire alarm in the Uk, sales of the starm systems grew from £2.2m to £3.5m, but emergency lighting remained the largest contributor, increasing turnover from £8.5m to £11.4m. Menvier said other UE operations, including contracting, precision engi-neering control panel and circuit mmufacture, had again run up against stiff competi-tion. Pofits fell from £190,000 to £160000, on turnover up to

£5.9m (5.2m). Sale overseas, including Menvie's Australian and US operations, rose from \$2.47m to

amed \$5.0m to 23.91m in the year to and a \$1.1m payout to main-

• COMMENT

Menvier's directors are justifi-ably rather proud of breaking into the French emergency lighting market, which is domi-nated by two much larger companies; Luminox, in third posi-tion, claims about 12 per cent. Overseas contributions could eventually surpass domestic profits at Menvier, the UK's largest manufacturer of emerreduce the need to set up a third area of activity to balance the growing emergency lighting and fire alarm businesses. As a side-effect of the latest deal greating should latest deal, gearing should increase temporarily from 29 to 60 per cent but interest cover is strong. In any case, the shares look attractive, and should become more marketable once the Luminox rights offer reduces directors' holdings from 20 year cent to about 53 from 80 per cent to about 62 per cent. At the moment they are on a prospective multiple of about 14, based on forecast pre-tax profits for this year of more than 25.1m.

Hughes Food drops to £3.9m

£889,000. Earnings per share-were 5.2p (5.1p) and turnover remained steady at £50.8

Mr Hughes also announced

that Sopagri, a subsidiary of Credit Agricole, has taken a 7.77 per cent stake, which is

likely to increase to 10 per

Hughes share price remained unchanged at 36p yesterday.

regional observations about the performances of the eight, mostly west, London offices, he said. In the country, the (£50.7m).

Mr John Hughes, chairman, said food services, construction, distribution and fork truck activities remain healthy. The group will focus more attention on higher margin food processing activities, he said.

Mr Fluches also amounted

added to the four out-of-Lon-Chelmsford. Home from Home, the lettings business, was per-forming encouragingly.

The sale and leaseback of an

office in Hampshire will pro-vide an extraordinary profit of £200,000 in the current year figures.

John Wood

82% lower as house sales show downturn

By Clare Pearson

PRE-TAX profits of John D Wood fell by 82 per cent from £1.46m to £257,000 in the year to end-April after the upmarket London and country residential estate agent fell into loss during the second

half.

Falling turnover in the London housing market as a result of interest rate rises was mainly to blame for the downturn, the company said, while extra costs also had an effect. Earnings per share fell to 1.7p (12.3p).

Floated on the USM in January 1987 at 144p, the shares closed just 2p down at 88p. Yesterday's announcement came after a warning earlier this month that the company had slipped into the red during the second half. Profits at the interim stage stood at £435,000 (£1.1m).

the interim stage stood at 2435,000 (£1.1m).
Directors speaking for 48.8 per cent of the shares will be waiving their entitlement to the recommended final dividend of 0.5p (2.5p), which halves the total payment for the year to 2p.

the year to 2p. Mr George Pope, joint chair-man, said Wood had been trading profitably since the end of April but he still anticipated a very difficult year

The profits fall was scored on turnover just 8 per cent down at £5.38m (£5.86m), but about £300,000 of sales came from the addition of a new office in Farnham and a lettings business acquired in October last year, which also put in £33,000 to pre-tax

profits. The underlying turnover fig-ure would have taken about 2500,000 from the pre-tax line. The rest of the profits fall was ascribed to the move to a new headquarters in Mayfair, the opening of the Farnham office, additional advertising expen-diture during the first half, and aborted acquisit-

Savings of about £500,000 had been achieved since January through a cut in advertising, non-replacement of staff, and a small number of redundancies. There was no scope for further cuts, Mr Pope

It was impossible to make market for the thinly available, most desirable properties was still good but houses of £300,000 or below were suffer-

ing as London was.
Offices in Oxford and
Chelmsford have recently been don outlets. It was hoped to establish an agricultural busi-ness in East Anglia from

Martell compensation lifts Matthew Clark

By Vanessa Houlder

MATTHEW CLARK and Sons (Holdings), the wines and spirits distributor, yesterday announced an 8.8 per cent increase in pre-tax profits from £7.72m to £8.41m for the year to April 20 April 30.

April 30.

The company, which has recently lost its distribution agreement for Martell and Irish Whiskey, said that the current year would be one of re-adjustment although it hoped that profits would at least be maintained.

The ween'ts benefited from

The results benefited from

£4m compensation for the loss of the Martell distribution of the Martell distribution arrangement, which followed Seagram's acquisition of Martell last year. However, this was partly offset by £3.4m of reorganisation costs.

In addition to costs associated with the loss of the Martell agency, the group incurred.

tell agency, the group incurred costs from transferring UK production of Stone's Ginger wine to Leeds. This has freed the London site, valued at about 25m, for redevelopment once a new head office has been Sales increased by 5.1 per cent to £112.51m (£107m). reflecting slower growth in the second half due to general weakness in the wines and

weakness in the wines and spirits trade.

Matthew Clark & Sons, the drinks agency business, ceased distributing Martell on April 30 and Irish Whiskey on July 1. Since then it has acquired the agencies for Blandy's Madeira, Aveleda Vinho Verde and Les Routiers table wines and talks are being held over distributing other wines.

Mr Francis Gordon Clark, chairman, said that unless the agency business won any sub-stantial additions, it would take three or four years for it to regain the same level of

to regain the same level of profit as last year.

JE Mather had a difficult year with a drop in income from British Wine sales. It is expected to benefit this year from two additional British Wine brands. Malcolm Cowen, a specialist

drinks supplier, showed a slight drop in profits as mar-

Matthew Clark Share price (pence)



although it increased its sales.

I H Baker, the group's Australian company, was "firing on all cylinders" said Mr Gordon Clark. It moved from a loss of £110,000 to a pre-tax profit of

1984 85 86 87 88 89

£438,000. Sealark Transport, which provides transport and ware-housing services, increased turnover but due to an increase in overheads it made ness its shares are fair value.

no profit contribution. Earnings per share rose by 18.1 per cent to 44.4p (37.6p). A final dividend of 7.5p (6.5p) was proposed, making 13p (11p) in

• COMMENT

Matthew Clark has suffered the loss of two of its best agency agreements with a stiff upper lip. The disruption has been eased by the compensa-tion payment and it has the benefit of diversifications made well before the upheavals in the drinks industry. Its Austra-lian operation and its specialist transport and warehousing service promise to help make up the gap left by Martell, as should an improved performance from its British wine division. That said, it will have to run hard to stand still this year. Assuming profits are unchanged, its share price, down 2p to 443p, puts it on a rating of 10. Investors are likely to remain cautious in the short term, although given the unique nature of its business its charge are fair value.

Sheafbank Trust plans bank expansion

By Ian Hamilton Fazey, Northern Correspondent

SHEAFBANK Property Trust yesterday announced pre-tax profits more than trebled from were considerable opportuni-£251,058 to £834,027 and the formation of a joint venture to buy Manchester Exchange and Investment Bank, a small, fully-authorised bank operating mainly in the English regions.

The deal has the approval of the Bank of England. The Manchester merchant hank chester merchant bank, founded by Mr Maurice Schlesinger in 1876, was expanding when it was hit by the stock market crash of October 1987.

It lost more than £500,000 in that financial year, though it has been improving since. Sheafbank was the vehicle used by the Manchester-based Gradel family business to go public in 1984. Its main activity

is property investment. Mr

ties for regional merchant banking in Britain.
It is joining forces with the pension funds of Allied-Lyons,

D'Arcy Masius Benton & Bowles and C Brewer & Sons, together with Leopold Joseph & Sons to acquire and develop
& Sons to acquire and develop
Manchester Exchange Trust
(Manex), the bank's owner.
Leopold Joseph is itself 30
per cent owned by Manchester-based Refuge Assurance,
which recently took stakes in
the Henry Cooks financial ser-

the Henry Cooke financial services group and its Edington merchant bank, also based in Manchester.

A new company, Schlesinger Investments Corporation, is being formed to acquire Manex

through Schlesinger Holdings, a wholly-owned subsidiary. The parent will be half-owned by Sheafbank, with a 30 per cent share for Allied-Lyons and the rest divided between the other funds.

The subsidiary will pay an initial £1.85m for Manex, with another £2.55m maximum payable over four years in cash, depending on performance. Schlesinger and Leopold Joseph together will also subscribe 13m for new share capital in Manex, for which Leo-pold Joseph will get a 9 per cent holding. The relationship with Sheafbank will be at arm's length.

Manex's services include portfolio management, advi-sory and discretionary cash management, money broking,

treasury and currency advisory services and corporate finance. It has a broad client base among building societies and private companies in the north and other regions. Mr Jack Gradel, Sheafbank's

chairman, said that Manex owned one of a limited number of indigenous regional banks which had an exploitable niche in financial markets.

Sheafbank reported an increase in shareholders' funds to £5.6m (£4.9m) and total assets of £8m (£7m), including £3.7m cash.

A final dividend of 0.65p per share brings the year's total to 0.75p (0.55p). It expects further growth as a result of forming UK Estates, a 50/50 joint ven-ture with Philips Pension

Mosaic surges to £2.43m and agrees new buy

By John Murrell

The company, which tucked eight acquisitions under its belt during the period, also announced that it had entered

into a conditional agreement to acquire Stainless Steel Services, based in the West Mid-lands, for an initial £1.29m in cash and shares. Further consideration, to a

maximum £1.25m payable in shares, is dependent on SSS profits. The company, a stain-less steel stockholder, made £244,000 pre-tax for the 1988

For the year to April 30, Mosiac increased its turnover from £7.28m to £15.54m and its earnings per 10p share from 13.45p to 21.6p. The dividend is being stepped up to 5.5p (3p)

MOSIAC INVESTMENTS, the acquisitive entrepreneurial management and holding company formerly known as Press Tools, yesterday announced a £1.45m surge in pre-tax profits to £2.43m for the 1988.89 year.

tive accessories, signs, bar and catering products and commu-nications. The directors believed Mosiac was well positioned to pursue its objective of achieving above average earnings per share and dividend growth.

Tilbury urges Lilley rejection

Tilbury Group, which is on the receiving end of an unwelcome £126m bid from fellow construction group Lilley, yesterday urged shareholders to reject bid terms contained in an offer document sent earlier this week.

| National Home Loans sets up banking subsidiary

By David Barchard

NATIONAL HOME LOANS as a small clearing bank." he Holdings, the housing finance group, has set up a banking subsidiary in a move to diversify the group's funding

National Home Loans Bank. the name by which the new bank will be known, has a capital of £50m and is to be headed Bank of England.

development, said yesterday that setting up the bank would enable NHL to reduce funding costs and obtain access to deposits and other new sources of fund-

"Various deposit products are under consideration but I emphasise we do not intend to operate as a building society or

Current account and deposit systems will be operated on a central system and the new bank will not attempt to create an elaborate branch network.

The new bank will also offer its own mortgage loans and related financial products along the lines of those already offered by NHL's original mort-

mortgage portfolio built up by

Nestor pays £12m for jobs agency

don area. In the year to October 8, it made pre-tax profits of £2.1m on turnover of £9.6m. Yesterday, Nestor also announced its results for the 24 weeks to June 16. Pre-tax profits advanced from £2.07m (restated) to £2.2m. Turnover was £34.48m (£28.77m). Earnings per share worked out at 3.44p (3.25p) and an interim dividend of 1p (0.8p) was

slip midway

six months ended May 31 1989, on turnover greatly increased at £13.45m, against £6.12m. After tax of £355,000 depend upon the timing of translating developments into delivered business, but he was confident that they would adequately demonstrate a return to profit levels more commen-surate with the greatly expan-

Interest fall boosts Ewart to over £1m

ded size of the group.

Ewart, the Belfast-based property developer, reported pre-tax profits more than 2% times higher at £1.3m, against £509,000, for the year to the end of April. Turnover was up from £5.61m to £8.95m, an increase of 59 per cent.

The result was helped by a fall in net interest payable from £736,000 to £116,000. After tax of £439,000 (£237,000) earnings per share came out at 5.94p (2.69p) on a net basis or 5.26p (3.05p) on a nil basis. A final dividend of 1.5p is recom-mended for a total of 2.25p

(1.70). Mr John McIlroy, chairman, said the company had grown substantially in the past few years from small beginnings and was well placed for further growth. Opportunities for expansion in the UK were being explored and a number of proposals for joint ventures were being discussed.

The company is seeking a quotation on the Dublin Stock

Modwen doubled to over £4m

(2248,000) earnings per 5p share were 2.5p (3.5p). The interim dividend is held at 0.75p.

Mr E Sharp, chairman, said second-half figures would be second-half fi

portfolio. Prudent financial management meant the directors had the choice of either The development programme was divided equally between the industrial, offices and

tributed £42,000 (nil) to leave earnings per share of 2.3p

After a "pedestrian" second

year to March 31. There were losses of £230,000 from discontinued activities in 1987/88 and the loss-making packaging subsidiary, Robor, was sold for £1.9m last week.

been some slackening of demand in recent months. However, he expected improved profits in the current year and the final dividend is raised to 1.35p for a 2.1p total.

International Stock Exchange. It does not constitute an invitation to any person to subscribe for or

Application has been made to the Council of The International Stock Exchange for the grapt of mission to trade in the Ordinary shares of the Company issued and now being issued on The

Transactions in the Ordinary shares of the Company will be effected in accordance with the rules and regulations governing the Third Market of The International Stock Exchange. This investment may carry a high degree of risk.

(Incorporated in England under the Companies Act 1985 No. 2231751)

AND LAING & CRUICKSHANK OF 3.001.168 Ordinary shares of 1p each at 66p per share to be

traded on the Third Market.

SHARE CAPITAL

Authorised \$120,000 Ordinary shares of 1p each

distributions hereafter declared made or paid on the Ordinary share capital of the Company. Dealings in the Ordinary shares of the Company are expected to commence on The Third Market

service and are available until 9th August, 1989 from: Riggs A P Bank Limited

London EC2N 2HH

Video Magic Leisure Group PLC Sherwood House Forest Road

26th July, 1989

by Mr Paul Dare, until now NHL's Treasurer. Authorisation under the Banking Act has been received from the

gage company, National Home Loans Corporation. NHLC will administer the

comes ten days after it with-drew its bid for Business Mortgages Trust, a West of England mortgage finance group with banking authorisation, after being outbid by Nykredit, the Danish Mortgage Corporation.

RANVILI SPONSORED SECURITIES 3.0 9.2 20.5 21 0 21 41 27 6 67 9 57 9 110 9 110 9 147 0 76 8 183 10.6 5.2 3.5 8.9 3.6 12.4 9.4 130 119 Ish Group
146 58 Jackson Group (SE
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117 100 Torday & Carlis! 287
129 92 Trevian Holdini (USB) 101
127 106 Unitary Earoy Cont Prof 125
395 355 Veterinary Dry Co. Ltd 390
370 327 W.S Ventes 335

REED INTERNATIONAL

Annual General Meeting, 26 July 1989.

concerned that some shareholders may be

unable to attend tolay's Annual General Meeting due to the pesent rail dispute.

would like a copy of the Chairman's address to the meeting, should contact:

Corporate Relations Department,

Reed House 6 Chesterfield Gardens,

Tel: 01-49: 4020. Fax: 01-491 8219.

Reed International PLC,

London WA 1EJ.

The Directors of Reed International are

Shareholders mable to attend, who

Socurities designated ISE and (USBI) are dealt in subject to the rules and regulations of The Stock Exchange. Other sourties listed above are dealt in subject to the rules of TSA These Socurities are delt in strictly on a matched bargain basis. Neither Grainlife & Co Limited nor Examilierantes Limited are market makes in these securities.

"These securities are delt up a restricted basis. Farther details applicable 8 Lovat Line, London ECIR SBP Telephone 01-621 1212 I Love Love, Lordo ECIR 189 Telephone 01-421 121

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 08D Tel: 01-828 7233/5699 An AFBD member Reuters Code: IGIN, IGIO FT 30 FTSE 100 WALL STREET

Jul. 1885/1894 +14 Jul. 2268/2278 +15 Aug. 2601/2613 +15

Sep. 1905/1914 +20 Sep. 2293/2303 +18 Sep. 2613/2625 +17

Grandle Davies Limited

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Prices taken at iom and change is from previous close at 9pm

NESTOR-BNA, the nursing agency and operator of nursing homes, yesterday announced that it was to buy Hewitson-Walker, an accountancy recruitment agency, for an intial payment of £12.42m. As reported in the Press at the weekend, the company has signed a joint venture agree-ment with a US company, Nutri/Systam, to offer its weight-loss programmes in the UK. Nestor's share price fell 12p on Monday and slipped a further 5p yesterday to close at

123p. Hewitson-Walker recruits and places temporary accountancy staff in the Greater Lon-

Radius profits

Radius, the USM-quoted computer systems and maintenance group, reported a slight reduction in pre-tax profits from £1.09m to £1.02m for the pany, for the six months ended May 31 1989. Mr Stanley Clarke, chairman

and chief executive, said the company had maintained its commitment to increasing the rent roll of the investme selling or retaining develop-ments as appropriate. Borrow-ings had been fixed at rates below market levels, he added.

retail property sectors.

Turnover advanced by 78 per cent to £16.75m (£9.66m) and the taxable result was after interest charges of £494,000 (£514,000). Tax took £1.46m (£605,000) and minorities con-

Tinsley Robor advances to £1.65m

half, pre-tax profits at Tinsley Robor, the packaging and printing group which came to the stock exchange via a placthe stock exchange via a plac-ing in July 1988, advanced from £1.58m to £1.65m for the

Turnover rose 8 per cent to £35.1m (£32.6m). Mr John Rose, chairman, said that there had

Earnings worked through at 4.5p (5.7p) per 5p share after tax of £621,000 (£608,000). An extraordinary £617,000 (£447,000) debit resulted from the sale of businesses the sale of businesses.

Mr Kevin Milner, managing director for finance and

NHL's decision to set up its own banking subsidiary

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Third Market. It is emphasised that no application has been made for these securities to be submitted to listing nor for permission to deal in these securities on the Unlisted Securities Market.

VIDEO MAGIC LEISURE GROUP PLC

PLACING ARRANGED BY RIGGS A P BANK LIMITED

Video Magic Leisure Group PLC operates a group of video film rental stores.

All the Ordinary shares in issue following the Placing will rank in full for all dividends and other

on Monday, 31st July, 1989. Copies of the particulars of the Company have been circulated in the Extel Financial Third Market

21 Great Winchester Street

Newark Nottinghamshire NG22 9PL Laing & Cruickshank Piercy House 7 Copthall Avenue London EC2R 7BE

be issued

fully paid

\$87,966

EC ministers deadlocked over extra milk quotas

By a special correspondent in Brusseis

DISAGREEMENTS among EC Agriculture ministers meeting in Brussels last night pre-vented significant headway on plans to provide extra milk quotas for new entrants, small producers and those in disadvantaged areas.

Discussions on the possible suspension of the so-called budget stabiliser addition to the cereal co-responsibility levy - under which a commu-nity crop in excess of 160m tonnes would cost producers a further 3 per cent of the guide price - also showed little sign

of progress.

Most of yesterday was taken

up with bilateral meetings between ministers and Mr Henri Nallet, the French Agriculture Minister and president of the Council, on plans to revamp the sheepmeat regime and last night ministers were preparing for an all night ses-sion on this complex issue. A 35-page document on the

milk quota issue was presented to ministers yesterday after-noon by Mr Ray MacSharry, the Agriculture Commissioner. But, when it became obvious that the differences were wide-spread, the whole issue was handed over to the special committee on agriculture with the aim of bringing it back to the next council in September. In basic terms, the proposals would involve altering the 5.5 per cent of quota that is temporarily suspended by making 1 per cent a permanent cut. At the same time this would also involve cutting the sub-sidy to producers who have been receiving compensation for this temporary suspension. receiving compensation

Any such penalty would be applied to those who went over their quota in any given year. But one of the differences revolved around exactly how any such penalty would be

Tin payout 'as far off as ever'

By Kenneth Gooding, Mining Correspondent

"PERFIDIOUS, prisillanimous peccant and perverse are inadequate adjectives to describe the behaviour of what should be responsible bodies," says Mr Christopher Green, chairman of the London Metal Exchange, in a typically outspoken attack on the governments repre-sented on the International Tin Council.

His attack coincides this week with a new round of talks between the ITC's working group and creditors who claim they are owed more than 2500m following the 1985 collapse of the FTC's buffer stock. Delegates reported that prog-

ress at the meetings so far has been slow. Bank and broker creditors have indicated they would be willing to settle for £182.5m compared with the £225m they previously asked for, they said. So far the ITC governments have been pre-pared to offer no more than

"A collective decision of the governments actually to pay seems as far off as ever," comments Mr Green in the Mining Journal's annual review. He suggests the 22 govern-

ments responsible for the col-lapse and default of the FTC "are still wriggling and squirming to avoid their moral, if not legal, obligations.'

However, there are notable exceptions, in particular the Canadian Government which

Prices from Metal Bulletin (last

ANTIMONY: European free

market 99.6 per cent, \$ per tonne, in warehouse, 1,775-1,900

BISMUTH: European free

market, min. 99.99 per cent, \$

per lb, tonne lots in warehouse,

4.70-5.00 (same). CADMIUM: European free

market, min. 99.5 per cent. \$

per lb, in warehouse, 4.70-5.20

LONDON MARKETS

FIVE UK law lords yesterday reserved judgment at the end of a six-week hearing of claims arising from the 1985 tin crisis, after hearing appeals by bank and broker creditors of the International Tin Council,

reports Reuter.
The creditors' actions relate to losses incurred when ITC buffer stock operations col-lapsed in 1985. Solicitors said judgment was unlikely to be given before October or

Creditors claimed in a series of "direct actions" that the ITC's 22 member states were

appears to have been largely responsible for the recent initiative towards finding a solu-

Mr Green points out that the ling about £513m.

various parts of the world, he points out, "some of which may yet bring certain govern-ments to book." Referring to the LME's deci-

liable for the Council's debts, In addition, broker Maclaine Watson and Company was seeking the appointment of an

The Court of Appeal heard the cases in 1988, when two of the three judges rejected the direct actions and all turned down the receivership applica-

The cases are the first of the creditors' actions to reach the House of Lords.

The House of Lords appeals were heard by Lords Keith, Brandon, Templeman, Grif-fiths and Oliver.

However, he says "in the absence of an ITC it may well

be that producers and end

users, particularly the impor-

tant tin plating sector, may be more inclined to use the mar-

ket now than they were when

The Mining Journal's annual review covers metals, minerals

and mining in nearly all

aspects - from aluminium to zirconium, from Afghanistan to Zimbabwe - and is an

essential reference book for

anyone interested in the indus-

ity.
"Mining Annual Review," £35

to non-subscribers, from Mining Journal, 60 Worship Street, London, EC2A 2HD.

the ITC was dominant."

tory levels.

main group of international bankers and brokers pursuing the ITC for restitution have indicated that they are pre-pared to accept less than half of their total claims, now total-There are court actions in

sion to start trading tin again in June, Mr Green suggests it will be some months before turnover builds up to satisfac-

COBALT: European free

per 76 lb flask, in warehouse,

MOLYBDENUM: European

SELENIUM: European free

309.00 310.40 299.00

290.00 288.40

410.00 372.50 359.50 357.00

Close Previous

er: Raw 6627 (4100)lots of 50 tonnes.

Close Previous High/Low

Close Provious High/Low

pt c and f Dundee STC \$550, BWC

147.25 147.90 149.50 151.25 151.50 151.00

294.00 285.00

415.00 407.00 370.00 368.00 359.50 354.00 354.80 353.00

16.95 16.81 16.88 16.74 16.74 16.72

147.50 145.75

free market, drummed molyb-dic oxide, \$ per lb Mo, in ware-house, 3.47-3.50 (same).

230-245 (235-245)

WEEKLY METALS PRICES market, min 99.5 per cent, \$ per lb, in warehouse, 5.40-6.00 market, 99.5 per cent, \$ per lb, in warehouse, 7.40-7.60 (same). MERCURY: European free (5.50-6.00). TUNGSTEN ORE: European

free market, standard min. 65

per cent, \$ per tonne unit (10 kg) WO, cif, 50-63 (samw).
VANADIUM: European free market, min. 98 per cent, \$ a lb VO. cif. 5.45-5.75 (same). URANIUM: Nuexco exchange value, \$ per lb, UO, 9.80 (same).

Beef scheme 'could give farmers £7.5mmore

By Bridget Bloom, Agriculture Correspondent

BRITAIN'S beef producers could be £7.5m better off if the new support scheme under the European Community's beef regime were differently admin-istered, a parliamentary select committee believes.

According to the Commons elect committee on agriculture, tentative estimates sug-gest that about 16 per cent of animals which should be eligible for the £29.19p a head pay-ment are not receiving it because payment is made at the point of slaughter rather than on the farm.

The committee recommends that the Government should ultimately move to on-farm payments, providing the administrative costs of doing so do not outwelgh the bene-

Most other EC member states pay the special beef pre-mium, which is limited to 90 head of male cattle per holding In any one calender year, on the farm. However, Britain introduced the scheme only in

April and decided to pay at the point of slaughter for administrative simplicity.

The beef special premium was introduced in most member states in 1987. It acts as an income supplement to beef producers to offset the effects of cuts in the level on interven-

tion support.
Britain introduced the BSP as part of reforms to the beef regime agreed in January. These were intended both to cut budgetary costs and to harmonise support arrangements in preparation for the single market in 1992.

Agriculture Committee. Third report: Implementation of the new beef regime.

Record exports of Thai rice

THAI RICE exports will rise to at least a record 5.5m tonnes this year from the previous high of 4.78m in 1988, the pri-vate Board of Trade said, reports Reuter from Bangkok.
The board said in its weekly bulletin that rice had enjoyed continuing brisk foreign demand in the past month.
Exports had doubled to a record 3.52m tonnes during the first half-year from 1.72m a year earlier.

The board said Thai traders had been more cautious in committing themselves to was difficult to forecast how long rice prices would remain firm this year.

China topped the buyers' list in January/June, taking 882,725 tonnes. Indonesia took 351,975, and Singapore 146,883.

Australian wool season's poor start

By Chris Sherwell in Sydney

AUSTRALIA'S 1989-90 wool-selling season has got off to a shock start, with the Australian Wool Corporation buying in no less than 40 per cent of the first day's offerings on Monday and 37 per cent yesterday

day. The corporation operates a The corporation operates a floor price scheme which protects wool growers from the full impact of price fluctuations. But already it is clear that the current floor price of 870 Australian cents per kilogram (clean) is out of line with market conditions.

Wool is one of Australia's

Wool is one of Australia's most important exports, along with coal and tourism, but sharply increased production

a reflection of the guaranteed high prices for growers is now meeting seriously weak-ened demand, notably from China and Japan.

On Monday, the overall mar-ket indicator price was 890 cants per kilogram (clean), but the corporation ended up buy-ing 40 per cent of 15,880 bales

Wool production Million tonnes (greesy) Million tonnes (greasy) World total Australia New Zeeland 2.8 1982/83 *BR/89*

on offer. Yesterday, when 21,200 bales were for sale, the corporation bought 37 per cent. The market indicator price was 889 cents.

The floor price is identical with last year's, and is not likely to be reviewed until the end of the season. If demand continues to remain weak, therefore, the corporation will

Australian shorn wool production is projected to rise to almost 940m kg this season, up 6.4 per cent from the 1988-89 figure of just over 830 kg. The nigure of just over 330 kg. The main reason is increased sheep numbers, but the actual cut per head is also expected to reach record levels.

On the demand side, it is clear that China, a strong the strong and a strong that the strong in th

buyer of Australian wool in the past, is virtually out of the market at present. Japan, another strong buyer, is said to be taking less because it has large stocks of yarn and its texture in the state of th tile industry is importing fine worsted wools from Europe. Overall, market analysts

resources would be consumed.

Overall, market analysts believe wool is destined to become cheaper, but for buyers of Australian wool this seems likely to occur in the next few months only if the Australian dollar becomes cheaper. At present the currency is being propped up by the Australian Government's high interest rate regime

Good opening aided by fall in NZ dollar

By Terry Half in Wellington

THE 1989-90 New Zealand wool season began well last Thurs-day with the market indicator rising 6 cents to 666 cents at the combined North Island wool sale at Napier.

This was helped by a drop in the value of the New Zealand dollar, which eased by 1.25 US cents from 57.70 to 56.45 from the last sale of the previous season on June 29.

Compared with the previous sale, cross-bred fleece rose 2 per cent while cross-bred second shear, cross-bred clothing and cross-bred crutchings all rose to 2.5 per cent.
The Wool Board actively

supported the sale, bidding on 38 per cent. However it pur-chased only 7 per cent or 119 clean tonnes, indicating the underlying strength of the

This was due to the expected drop in production due to a sharp decline in sheep numbers because of government economic restructuring as well as a decline caused by drought problems, which have severely curtailed sheep numbers on the east coast of

both North and South Islands. The Wool board's review of the last season says that, thanks to strong demand from China, prices were firm for much of the previous season. This began in July with an indicator of 618 cents, up 18 cents on the previous season.

The indicator hit a peak in October last year at 741 cents, when board supplies fell to a seasonal low of 6,400 tonnes. However, demand fell away in October and November and the market indicator fell to 650 cents. Prices rose again in December and January, reaching a new high of 702 cents in

February. Demand saw a steady rise in prices, but the political upheavals in China, with the resultant uncertainty about the future of New Zealand's main wool market, saw the index fall to 630 cents in mid-May.
As confidence returned, the

market indicator rose to end the season at 660 cents in June. End of season stocks stood at 11,700 clean tonnes (98,900 bails), the highest level for two seasons, but less than 5 per cent of total amual production. The average price for the season was 688 cents, up 14 per cent from the previous season.
The Wool Board said that a significant feature of the

1988-89 season was the strong demand for fine wool and the increase for these wools was substantially greater than for cross-bred. Prices for merino wool (18-24 micron) rose on average by 35 per cent, half bred (25-81 micron) rose by 30 per cent, finer cross bred (32-31 micron). driven by strong Chinese demand, rose by 17 per cent,

have to dig into its pockets.

From all accounts these are

deep, following the depletion of its large stockpile at the high prices of the past two seasons. On the corporation's most

recent, and almost certainly conservative forecast that it

would buy in 800,000 bales, or 140m kilograms, in the current season, only about half of its

micron) rose by just 10 per The board said the ises in New Zealand's fine wool prices were equal to those for Justra-lia earlier in the seasch and were assisted by currency

while coarses cross brid (35-37

The board has revised its wool production forecast for the 1989-90 season following

the severe drought. Sheep numbers as at Jme 30 were estimated at 62.4m,down from 64.6m a year ago. Wth an accompanying fall in the clip per head, production at 1989-90 is forecast at 308,000 tonnes greasy, a 7 per cent drop from the 1988-89 season's estimated

The outlook for the 1989-90 season is for little change. Demand may be weaker as a result of slowing economic growth in major markets and competition by man-made fibres which will limit price increases. An expected fall in demand from China is likely to be offset by lower wool production in New Zealand. The Wool Roard has increased the minimum price for wool farmers for the 1989-90 season by 5 per cent to 525 cents to reflect recent market trends.

The outlook for fine wool prices, the board says, is for a fall from the record levels of the 1988-89 season. It says fine wools have lost competitiveness with man-made fibres as a result of large price increases of the last two seasons and fine wool production is expected to rise next season with a 7 per cent increase in Australian

Russia buys sugar for government food programme

THE SOVIET Union is making urgent purchases of raw and white sugar on the free market a little more white sugar," he to meet new domestic orders under the government food programme, the president of Prodintorg, the state purchasing agency, said, yesterday, reports Reuter from Moscow. Mr Alexander Krivenko said

that the agency bought around

150,000 tonnes of raw sugar for

US MARKETS

THE METALS CONTINUED to have

the action, reports Drexet Burnha

commission house buying helped cocoa prices advance. September

cocoa was up 26 closing at 1300.

Late-day commercial selling dro

Price-lix buying kept cottee futures

steady. The grain markets featured two-sided trading in the soy complex

prices near the close. Corn and wheat

tutures posted small losses as rainfall

non-events. Commission house buying

elected stop orders ralling the cotton

market. The energy complex was again

is providing some relief from the hot

slow days as local traders dominated

Lambert, in the softs, scattered short covering lifted sugar prices. Trade and

He did not say how much white sugar his agency was

seeking altogther.
"We have already bought some quantities but we half of September, would to have not yet finished our purchasing. We think it could be completed today or have is that it will be 8 to 1

prompt delivery last week. tomorrow," Mr Krivenko sid.
"And we are in negotiation for "The market is not easy and "The market is not easy and the price is very high, so we He said present indications were that this year's Sovet

CRUDE OIL (Light) 42,000 US galls \$/barrel

Latest Previous High/Low

beet harvest, gathering of which begins in the secoid

per cent better than last year," he added. "This is not the final figure

rain in August. If we have enough, it may be even bet-ter. . It is difficult to give a final prediction at present, but in general around the country, and in the Ukraine and Krasnodar areas, it is better than in

Chicago

in of

if

LONDON MARKET STATISTICS

LONDON COFFEE futures tested fresh 8-year lows vesterday before prices were litted by profit-taking on short positions and light short-covering. As accressive sales policies with which producers have replaced the defunct International Coffee Organisation quota system the September position slipped to £767 a tonne at one stage — £57 below the level ruling a week earlier. But it closed at £783 a tonne, down £25 on the day. Traders said coffee dealers had added to the pressure on prices by offering coffee stored in Europe at Roasters, meanwhile, are content to let stocks run down, confident that they

will be able to secure fresh supplies

when they need them. On the London

Metal Exchange, the aluminium price ended its 5-day run of price rises with

a \$13 fall to \$1,735 a tonne

				<u> </u>	
SPCT MARKETS			SUGAR	(\$ per to	nno)
Crude of (per barrel FOE)		+ or -	Raw	Close	Pre
Dubai	\$14.90-5.00z	+0.05	Aug	312.20	309.
Brent Blend	\$17.45-7.55w	+0.09	Oct	314.00	310.
W.T.I, (1 pm est)	\$18.80-8.85z	-0.04	Dec	312.00	299.
			Mar	292.80	290.
Oil products			May	289.00	288.
(NWE prompt delivery per b	onne CIF)	+ 07 -	Aug	287.00	282
Premium Gasoline	\$187-188	+1	White	Close	Pre
Gas Off	S149-150		<u></u>	413.50	410.
Heavy Fuel Oil	\$85-67	-1	Dec	573.50	372
Naphtha	\$155-157	-1	Mar	359.00	359.
Petrojeum Argus Estimates	<u>. </u>				
Cther		+ 01 -	May	356.00	357.
Gold (per trey oz)	\$371.75	+0.25		r: Raw (119 (824).	E21
Silver (per troy oz)	520c	-2		hite (FFr	
Platinum (per troy oz)	\$490.9	-2.6		D, May 2	
Palladium (per troy oz)	\$148.50	-0.15	mar 230	J. ADBY 22	20, /
Aluminium (free market)	\$1755	+ 10	CRUDE	Oil \$/ba	rtel
Copper (US Producer)	11456-119	+15		Close	
Lead (US Producer)	38.5c	•			
Nickel (tree market)	670c	+10	Sep	16.92	1
Tin (Kuala Lumpur market)	25.22	+0.11	Oct	16.82	
Tin (New York)	443.5	+ 3.5	NOV	16.72	1
Zinc (US Prime Western)	803gc		IPE Inde	x 17.01	1
Cattle (live weight)?	114,54p	-3.70	Turneve	: 10834 (6620)
Sheep (dead weight)†	158.03p	-21.4*			
Pigs (live weight)†	81,07p	-6.59°	QAS OF	L \$/tonne	
London daily sugar (raw)	\$343.01	-9.6		Close	Pro
London daily augar (white)		-7	61.0	147.25	147.
Tate and Lyle export price	€325.0	-7.5	Aug Sep	147.25	147
Barley (English feed)	₹104.25w	-0.25	Oct	149.25	149
Malze (US No. 3 yellow)	£130		Nov	150.75	151.
Wheat (US Dark Northern)		-0.5	Doc	151.50	151.
Rubber (spot) 👽	58.25p	-0.25	Jan	149.50	151
Rubber (Aug)	60.75p	+0.5	Thermone	r 6481 (6	2221
Rubber (Sep) 9	61.50p	+0.5	I UNIO	Debi (ca	332,00
Rubber (KL RSS No 1 Aug)		-1.0			
Coconut oil (Philippines)§		-7.5	COTT		
Paim Oil (Malaysian)§		-r.ə -20		ool-Spot i	
Copra (Philippines)§		-20 -5		Inded 21	
	£187w	~		1 430 tonn	
Soyabeans (US) Cotton "A" index		-0.3		Bding oc	
LOUGH A INDEX	تحدو	-0.3	E Americ	an West	Afric

Cotton "A" Index Wooktops (64s Super) 600p £ a tonne unless otherwise stated, p-pence/kg. c-conts/lb. r-ringgit/kg. y-Oct/Dec. w-Aug. z-Sep. u-Jun/Jul. x-Jul/Aug. t-Aug/Sep. v-Aug/Oct. †Meat Commission average faistock prices, change from a week ago. \$\text{\$Vandon physical}\$

COCO	& £/tonne			LONDO	META	L EXCH	MOE	ī	(Prices supplie	d by Amaigama	lad Metal Trading
	Close	Previous	High/Low		Close		Previous	High/Low	AM Offici	al Kerb close	Open Interest
iui	856	8 56	858 848	Aluminto	os, 99.7%	s purity (per tonne)			ut galf?	mover 8,875 tonn
Sep	873	884	874 858	Cash	1733-	7	1747-9		1755-6		
Dec.	926	915	927 909	3 months	1740-	3	1753-4	1770/1788	1760-1	1743-5	31,364 lots
Aar	901	894	901 888	Copper,	Grade A	fg per to	ne)			Aline Dur	over 20,175 tonn
lay	911 926	900 916	905 897	Cash	1588.		1577-0	1590/1680	1588-9		
iul Sen	940	932 932	931	3 months			1585-6	1580/1572		1578-9	70.476 lets
				Leed IS:	er lance	1				Ring to	nover 9,750 tonne
			f 10 tonnes						417-8		
			ls per tonne). Daily 79.50) :10 day aver-	Cash 3 months	420-2 410-1		423-5 411-2	410/409	408.5-9	410-11	9.971 lots
		D85.70 (1062						710703	493,5-9		
		<u>-</u> -		Miciosi (\$				 _		Hing tu	nover 1,290 tonne
247	EX Extense	<u>'</u>		Cash	12450		12150-200	12500/122		44.000	
	Close	Previous	High/Low	3 months		-600	11300-400	11590/114	00 11650-600		5,716 lots
hul	800	803	790 777	The (\$ pe	r lonne)					Ring tur	nover 1,100 tonni
Seo	785	798	794 767	Cash	9680-(30	9565-78		9840-5		
Vov	793	808	802 776	3 months	9650-6	50 1	9555-60	9670/9570	9840-50	9660-5	2,856 lots
	813	830	823 798	Zipc, Spe	نوزاز لجلي	Grade (per tonne)			Ring tur	hover 8,375 tonne
Mar	638	851	845 824	Cash	1675-8	15	1675-80	1685/1685	1690-700		
May Jul	865 877	865 889	865 848 885 675	3 months			1595-7	1615/1595	1603-5	1598-602	10,529 lots
				Zinc (\$ po	r zonne)					Ring tut	nover 4,200 tonne
		(483) lots o	(5 torines eats per pound) for	Cesh	1620-3		1625-35		1630-6		
			.72). 15 day average	3 months			1545-50	1555/1545	1558-8	1548-52	7.880 lots
	79.83)	.,									
مون	R (\$ per to	ฤกญ)		POTATO	E3 Effon	ne ne			LONDON SU	LLION HARKE!	•
law	Close	Previous	High/Low		Close	Previous	High/Low		Gold (fine oz)	\$ price	Ineleviupe 3
wa	312.20	309.00	214.00 303.08		140.6	144.0	140.0 135.0		Close	3713-372	227 4-227 4
æ	314.00	310.40	315.60 303.40	Feb	160.0	169.0	AAA - AAA A		Opening	373-37312	229 4 -229 4
	01-00	000.00	OUE OF	Apr	222 .0	226.5	228.0 217.0		Morning fly	ST2 80	000 193

2 Lincolning	9 1300	•	0357	10 101 1302	1003-3	10	20 QL	K	IU,DE	7 1015
Zlac (\$ p	er tonne	}					Pin	g lum	over 4,	200 tenne
Cesh 3 months	1620- 1545-		625-35 1545-50	1555/1545	1630-6 1556-8	16	48-52		7,880	lots
POTATO	163 1/10	nne			LONDON BE	HOM	MAI	KET		
	Close	Previous	High/Low		Gold (fine oz	\$ price	, _	7	equiv	ulent
Nov	140.0	144.0	140.0 135	.a	Close	3712-	372		27 4-2	27.34
Feb Apr	160.0 222.0	189.0 225.5	226.0 217	.a	Opening	373-37	312		294-2	39%
May	242.0	247.0	237.5		Morning fix	372.60			229.133 228.490	
Turnover	600 (10	10) lots of	40 tonnes.		Afternoon fix Day's high Day's low	373 4 4 371-37			220.401	
SCYAR	BAN SE	AL E/tonn								
	Close	Previous	High/Los	<u>,</u>	Colme	\$ pric	•		equiv	alont
Oct Dec	142.00	142.50 139.00	141.50 14 139.00	11.00	Mapleleal	382-36			23312-2	
					Britannia US Eagle	382-36 382-38			233 ½-2 233 ½-2	
IUIIIO	e ido (it	Mots of 20	MATERIA.		Апдеі	3814-			234 4 -2	
	_				Krugerrand	371-37	4		227-229	
PREIQH	ידעים	RES \$10/k	ndex point		New Sov. Old Sov.	87 4-8			53 ¼ -54 53 ¼ -54	
	Close	Previous	High/Low		Nobie Plat	97 %-8 498.80			306.25	
ᄺ	1382	1363	1390 138							
Aug Oct	1404 1515	1403 1516	1411 140 1529 151							
م ور ل	1542	1543 1572	1545 154	0	Silver fix	p/fine	QZ	7	US ets	equiv
Apr	1578	1572	1580 157	3	Spot	320.50			521.40	
8F1	1379	1379			3 months	331.75			33.25	
Turnove	r 134 (14	16)			6 months 12 months	343.05 354.35			544.95 567.40	
					IL DOMES			•		
GRAINS										
Wheat	Close	Previous		<u> </u>	LONDON ME					
Sep Nov	105.30 109.05	104.75 108.50	105.00 109.05 10	R 75	Aluminium (8	9.7%}				Puto
Jen	112.85	112.35	112,90 11	2,70	Strike price	tonne	Зер	Nov	Sep	Nov
Mar Mav	116.18 119.50	115.65 119.00	118.10 11		1650		118	121	18	38
Jun.	121.50	121.00	119.50 11 121.25	N.29	1750		54	67	54	82
					1850		50	33	119	145
Barley	Close	Previous	High/Low		Copper (Grac	te A)	6	والو		Puts
Sep	103,50	103.65	104,00 10		2450		154	145	44	108
Nov	107,25	107.40	107.70 10	7.25	2550 2650		36 55	100 67	84 141	158 223
Jan	110.85	110.90	111.10 11	0.85			-	-	1	
Mar May	113.60 115.56	713.80 115.70	114.00							
			arley 121 (7	701	LONDON FO	K TRAD		61108	15	
Turnove	lois of	100 tonne	L. C.		Coffee		Sep	Nov	Sep	Nov
					750		55	79	20	36
PIGS (C	ash Setti	ôment) p/k	0		800		29	55	44	62
	Close		High/Low		850		14	37	79	94

850 900 950

100 69 46 11 37 25 44

115.5 119.5 120.0

lower as carryover selling from Monday was featured. New York GOLD 100 troy oz.: \$/troy oz. Close Pravious High/Low 373.4 373.9 376.2 378.3 382.4 389.4 390.5 394.8 398.7 0 374.8 Aug Sep Oct Dec Feb Apr Jun Aug PLATINUM 50 troy 62: \$/troy 62. Previous High/Low 494.1 497.8 500.7 504.2 507.7 511.2 0 497.0 499.5 496.6 499.6 503.1 606.6 510.1

\$20.8 \$21.5 \$28.0 \$38.2 \$41.5 \$48.6 \$57.1 \$65.0 \$72.8 \$84.0 Clase Previous High/Low 115.00 113.30 113 50 109.20 AEUTERS (Baso: September 16 1931 = 100) July 24 July 21 mnth ago yr ago 1913.6 1926.7 2019.8 1911.0 so: Dec. 31 1974 - 100) 131.46 129.46 133.08 131.86

18.75 18.53 18.42 18.31 18.35 18.26 18.40 18.74 18.45 18.31 1E.16 18.14 18.17 18.19 18.21 18.88 18.65 16.55 18.44 18.38 16.40 18.40 HEATING OIL 42,000 US galls, cents/US galls Latest Provious High/Low 18 9 19 1 19.5 19.6 19.60 20.25 20.80 20.87 Aug Sep Oct Dec Jan Mar May Jul 4980 5050 5125 5200 5270 5270 4840 4869 5003 5073 5154 5229 5240 4755 SOYABEAN N Close 204.2 192.7 185.0 182.2 161.7 182.0 182.0 182.0 Aug Sep Oct Dec Jan Mar May Jul COCOA 10 lonnes;\$/tonnes Close Provious High/Low 1300 1315 1324 1343 1365 1365 1367 1274 1233 1305 1315 1350 1335 1371 1303 1317 1370 1340 1370 Close 228/6 226/0 233/0 237/0 238/4 232/0 226/0 233/4 Sep Dec Mar May Jul Sop Dec Dec COFFEE "C" 37,500ths; cents/lbs 84.83 87.23 90.37 82.40 96 00 199.00 84,75 87,06 90,12 92,00 96,10 100,00 84.80 87.25 90.38 92.20 96.50 100.50 83.50 85.60 83.25 91.50 94.20 59.60 Close SUGAR WORLD "\$1" 112,000 lbs; conts/lbs High/Low 13.94 12.65 12.99 12.80 12.64 12.33 14,23 12.81 12.86 12.50 12.30 Close 0 13.29 13.09 12.56 12.65 72.37 73.90 75.37 73.90 72.65 73.90 72.45 70.60 COTTON 50,000; cents/lbs Clasa Previous High/Low 73.15 73.95 74.70 75.01 69.07 67.05 74,40 75,35 75,65 76,00 69,10 67,25 45.97 39.35 41.05 42 10 39.95 45.20 45.80 44.76 ORANGE JUICE 15,000 lbs; conto/lbs Close Previous High/Low Cione 158.15 144.65 140.75 139.25 136.25 156 70 144.75 141.05 159.50 146.25 142.50 141.50

هلذًا منه لِلْصِل

SO'SBEANS 5,000 bu min; cents/50th bushel 18.61 18.26 18.20 18.13 18.15 18.26 18.26 18.25 Close Previous High/Low 661/0 613/0 597/4 605/6 615/0 618/0 622/0 681/6 615/2 802/4 810/4 621/0 625/0 627/0 613/0 SOYABEN OIL 60,000 lbs; cents/lb 19.11 19.37 19.58 19.93 19,62 19,99 20,15 20,55 20,95 20,90 19.06 19.63 19.63 19.80 20.25 20.58 20.85 20.07 20.46 20.87 21.11 L 100 tons; \$/ton 205.8 195.0 188.5 186.5 185.0 184.0 184.0 204.6 192.7 185.0 181.5 181.5 182.0 182.0 782.0 MAIZE 5,000 bu min: ents/56th bushel 230/ 228/ 236/4 240/6 241/0 235/0 230/2 237/0 231/0 228/6 236/2 240/4 240/6 234/0 229/6 233/4 WHEAT 5,000 bu que; con \$8/4 41/4 44/4 35/0 35/0 390/4 403/0 406/0 386/0 355/4 388/0 401/0 384/0 352/0 72.80 0 75.75 74.20 72.87 74.15 72.75 27.95 40.97 40.85 42.00 41.20 28.10 41.95 41.85 43.05 41.35

LONDON STOCK EXCHANGE

Equities firm ahead of UK trade data

THE UK equity sector recovered its polse yesterday brushing off early losses to close firmly as traders settled down to await this morning's announcement of the UK trade figures for last month. A firm opening on Wall Street gave London its final boost, but there had been support for good quality defensive stocks throughout the day. While there were fewer excitements than recently, equity turnover improved significantly.

The stock market is comfort-ably braced for news today of a deficit of around £1.5bn on UK current account in June; "we could probably get away with a slightly worse figure than

Dealing	_
	Dates
Jul 31	Aug 14
es Aug 10	Aug 31
Aug 11	Sep 1
Aug 21	Sep 11
o may taka ooo daya ee	place from other
	Aug 10 Aug 11 Aug 21 Aug 21

that," commented Mr Paul Turnbull of Smith New Court. Yesterday's business opinion survey from the Confederation of British Industries was regarded as relatively favourable for investment sentiment, and market strategists are hopeful that sterling can remain firm, thus restricting the dangers of another hike in domestic interest rates. Yesterday's small dip in the sterling exchange rate was shrugged off in the equity market.

"In the current mood, the UK trade figures would have to be pretty bad to upset the stock market," said Mr John Reynolds at Prudential-Bache. The first hour of Seaq trad-ing saw the Footsie index dip by nine points as nervous sell-ing orders of the previous day were completed. Share prices then steadied and the market began to edge ahead, led by selective buying of hine chip pharmaceuticals The London market was

as it waited for Wall Street to open. With the New York mar-ket in good form in early trad-ing, London forged further ahead and closed near to the day's best.
The final reading on the

FT-SE Index showed a net gain of 10.3 at 2,269.4. Turnover through the Seaq screens totalled 461.7m shares, against only 357.9m in the previous Trading was fairly cautious but fund managers appeared to be showing interest in defen-sive stocks, those in which

earnings can be expected to withstand the worst effects of

the slowdown believed to be threatening UK corporate prof-

Drug stocks, with their international spread of earnings and relatively recession-proof products, present an obvious attraction to managers taking a defensive stance. On the other side of the ledger, how-ever, were such sectors as buildings and retail, which were largely left alone yester-

day.
Trading volumes could be subdued today in the face of another one day transport strike throughout the UK, with the London commuter area likely to be badly hit again by the absence of London Underground and surburban rail services.

FINANCIAL TIMES STOCK INDICES 127.4 (9/1/35) 50.63 (28/11/47) (3/1/75) (13/6)(15/3) 1926.2 49.4 (16/7/87) (26/6/4 (19/7) (3/1) 734.7 43.5 (15/2/83) (26/10/71) 154.7 (17/2) (777)1782.6 2443.4 988.6 (3/1) (16/7/67) (23/7/84) FT-SE 100 Share (19/7) Basis 100 Govt. Secs 16/10/25, Foted int. 15 Ordinary 17/755, Gold mines 12/9/55, Basis FT-SE 100 31/12/63, & Nil 11.90 Ord. Div. Yield 4,27 9,99 12,08 4.24 9.94 12.12 Earning Yid %(full) P/E Ratio(Net)(☆) 10.09 11.94 11.61 10.52 S.E. ACTIVITY 26,216 1352,47 30,335 480.1 24,759 26,173 28,533 1569.18 77.9 79.0 194.7 196.6 2597.6 2733.7 Equity Bargains
Equity Value
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Equity Value
95 - Advisor 1974 | Finding Ordinary Share Index, Hourty of Day's High 1896.5 Day's Low 1870.2 1 p.m. 2 p.m. 1883.2 Day's High 2269.7 Day's Low 2250.0 Open 10 a.m. 11 a.m. 12 p.m. 2257.0 2254.4 2258.1 2260.7 1 p.m. 2 p.m. 2262.7 2265.7 3 p.m. 4 p.m. 2267,4 2289.5 TRADING VOLUME IN MAJOR STOCKS

Market awaits **ICI**

A firm performance from ICI ahead of tomorrow's interim report masked wide-ranging and some cautious forecasts from market analysts. Predictions of second quarter profit run from £430m to £480m pretax, with some moving to £490m yesterday on reports that the total may take in some

£20m of asset disposals.

There is "bearish news on ICI's pharmaceuticals business," according to Oliver Fear and Martin Evans at BZW. While remaining positive on fundamentals, they told clients to top slice any overweight holdings of ICI stock. Reports of difficulties over Corwin, the heart drug intended to underpin Tenomin, ICI's existing product when it goes ex-patent in 1991, have cast doubts over industry forecasts of £500m sales of Corwin within five

The gain yesterday of 14 to 1267p was supported by turn-over of only 1.3m shares, as marketmakers avoided taking stock aboard ahead of the ICI quarterly. Analysts will be watching out on Thursday for non-recurring asset disposals in the statement.

Interest in Oils

There was keen interest in the oil majors as what were regarded as poor results from groups Exxon, Amoco and ARCO, worries about falling petrochemical prices and a slide in North Sea of prices Shell. Both groups are sched-uled to announce second quarter results on August 10, with Shell Oil, the Shell Transport/ Royal Dutch US subsidiary, due to report its figures today. Dealers said the weakness in

oil prices was in part the result of news that North Sea oil workers are not taking further industrial action, and partly on the renewed weakness in oil futures markets. BP were said to have suffered from a "switch out of BP into Shell" recommendation issued by the oil team at the Nomura Research Institute. According to Nomura, "Shell

100

expected to produce £810m against £657m last time and BP £430m against £357m; our switch recommendation is based on quality of earnings considerations as well as per-ceived value, but is also sup-ported technically by the relative narrowness of BP's prospective yield premium."

Turnover in Shell reached 10m but dealers pointed out that this figure was inflated by an incorrect trade of 4.4m

shares reported during the morning. Shell shares settled 2 off at 423p while EP where the same amount easier at 303½p

NatWest shares remained a resilient market in spite of news of the resignations of Lord Boardman, the chairman, and three other executive directors, Mr Charles Green, Mr Terry Green and Mr John Plastow. The shares settled 2 higher at 310p on turnover of 3m, slightly ahead of normal levels of activity in the stock. A buoyant international sector included several positive features among the pharma-ceutical stocks. Smith and Nephew added a couple of pence to 140p after announcing the sale for £50m of its 50 per

cent stake in British Tissues to

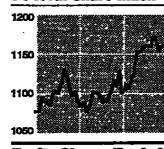
Erling Refsum at Nomura Research Institute. With SmithKline Beckman stockholders due to vote today at a special meeting on the planned merger, shares in Bee-cham strengthened by 7 to 633p; no difficulty is expected with the SmithKline vote, and the final outcome should be known before the close of the London market.

Fisons, 7 up at 333p, responded to the £24.3m purchase of Gerbiol of France, a further expansion of its interests there. Wellcome followed the market with a gain of 9 to

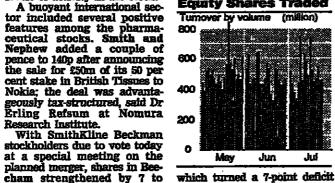
Brewery stocks slumbered in spite of an upbeat note on the sector from the City's top drinks team at County Nat-West WoodMac. The recent DTI ruling that the big six brewers turn half their pubs over the 2,000 limit into free houses, and the subsequent move to separate the three key functions of manufacturing, ment will provide improving yields through a combination of improved asset management and asset liberation," County.

e sentiments, however failed to feed through into the market, and County's leading buy stocks, Allied Lyons, Bass, Grand Metropolitan and Whit-bread, all closed little changed. The best performance came from Scottish & Newcastle, FT-A All-Share Index

already a net eight points up



Equity Shares Traded Turnover by volume (million)



into a 5-point gain (at 384p) after the company completed the acquisition of a controlling stake in Dutch holiday group Center Parcs.

Dealers noted some persis-

tent buying demand for Blue Circle, which closed 9 up at 563p on vague talk of stake-building. The chemicals sector pro-

vided numerous good features. Rentokil raced up 16 to 367p after a "buy" recommendation was issued by Mr Michael Stone of the chemicals team at Citicorp Scrimgeour Vickers. Rentokil is scheduled to announce interim figures on August 22 and the Citicorp analyst is forecasting pre-tax profits up 22 per cent to £27.9m

Mr Stone bases his buy note on Rentokil's "strong expansion in contract services and recent rapid entry into the tropical plant rental business." He says the current downturn in housing activity will not damage the rating as it did in 1985. Citicorp's full year estimate is for pre-tax profits of \$52m. against \$50.1m last year. 262m, against 250.1m last year. Other big winners in chemi-cals included Yorkshire Chemi-

Laporte, up 6 at 473p and Allied Colloids, 5 to the good at 161p. Foseco, where a 4.4 per cent stake was revealed by the Scharf brothers last month, were 8 higher at 366p with analysts at Smith New Court taking the view that the stock has n left behind whilst "Croda and Coalite have taken centre Examining Foseco, the Smith team said: "even with

the high UK cost of money and assuming no synergy/rationalisation benfits, a predator could afford to pay 420p a share and still cover interest costs by Fosco's profits. More likely, the stock would go out on a price cash flow multiple of seven times, that is 530p a

News of a broker's downgrading and the departure of the group finance director saw Lowndes Queensway tumble 5 to 33p. The downgrade came from James Capel, the agency broker, which has lowered its forecast for current year profits from £12m to £6.5m, and for next year from £20m to £15m. The current heatwave, which generally keeps people away from the stores, has exacer-bated the existing problems in furniture and carpets, where sales have slumped dramatic-ally, say analysts. "The volume picture remains under pres-sure," said James Capel, "and there is no sign of any underlying upturn in the near future.

The best rise of the day was posted by Kingfisher, 11 to the good at 338p on a marketmak-ers' squeeze, while speculative damand lifted John Menzies 11 to 355p and Etam 8 to 207p. Strong demand pushed Body Shop to 458p after a scrip issue had split the opening price of 871p in two.
GEC and Plessey provided

the highlights in the lecthron-ics market with strong buyting of both stocks accompying a report that news from the Min-istry of Defence regarding the possible clearance of any renewed bid from GEC/Siemens could well be imminent. If GEC/Siemens are given the go-ahead to renew their offer the market is now expected them to move quickly, possibly by launching a market raid prior to making a full bid offer at say 265p a share. Electronics specialists were also taking the view yesterday that GE would he among the leaders of what is now certain to be a a major restructuring of the European electronics industry. There were stories of strong overseas buying of GEC shares whichy moved up 5 to 268p on turnover of 8.1m. Plessey, mirroring the hopes of a GEC/Siemens raid and bid renewal, were 4 higher

at 269p on 2.5m. Cable & Wireless were strongly supported and closed 8 higher at 517p following a buy recommendation issued by eill exceed 30 per cent com-pound over the next five years."

Sir Ron Brierley, the New Sealand financier, cast a long shadow over engineering stocks as Vickers climbed 9 to 238p on talk of a possible approach. Brierley owns just over 9 per cent of Vickers and there have been reports of Australian buying in recent sessions. Most analysts, however, believe a shortage of stock was behind the rise after a few "nosey" buyers in early trad-ing had created the initial stir. Brierley is already tied up elsewhere in the sector, via his 257m bid for Molins, the packaging group. Molins jumped 12 to 209p after forecasting profits of £15m as part of its defence against the unwanted offer, and the market is hoping that

Food and beverage importer S Daniels jumped 13 to 96p on vague talk that a stake had

a third party will enter the

changed hands.

DRG bounced to a peak of 562p, up 22, excited by a story that Mr Roland Franklin was bidding outside the market for 10m shares, or 9 per cent of the company's equity, at 550p. Through his vehicle Pembridge Investments, Mr Franklin holds 10.8 per cent of DRG and would need approval to increase beyond 15 per cent. Only a few days ago, Mr David Rowland revealed a stake of 3

Avon Rubber basked in the success of the rights issue; acceptances of 93.7 per cent were received and Hoare Gov-ett placed the residue yester-day, to end 11 at 557p. Christies International picked up 7 at 305p on news of this season's

showing interest, these replacing recent gossip of the group being ready to announce a joint European components venture with Sumitomo Elec-

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tric of Japan.
DTI approval of the transfer of a controlling interest in a regional newspaper to EMAP was good news for the shares, up 8 at 263p, while Norton Opax firmed to 169p on sugges-tions that major shareholder Bowater may hid for the out-

Mountleigh stood out among properties as investors bought the stock ahead of today's final be corporate activity sooner than later in the TV sector. Several motor stocks benefited from hopes of predatory moves. Jaguar responded to figures. Although analysts expect the full year earnings to carry no surprises (BZW pre-dicts £50m) there was talk in late speculation that Peugeot was running the rule over the UK luxury car maker and closed 10 up at 403p. Lucas Industries went 12 higher to the market that Mr Tony Clegg, chairman of Moun-tleigh might put together a 651p on rumours of Ford Motor

record sales which exceeded

Granada began a run, although trade was moderate,

amid talk that a securities

bouse was preparing a favoura-ble circular. The group has

experienced several profit

downgradings recently and the shares, 12 dearer at 361p, may have reached a level where

they now appeal to takeover

speculators. Hoare Govett warned recently there would

£1bn worldwide.

management buy-out because of his dissatisfaction with the market's valuation of the group's shares.

There was again no shortage of stories concerning Burmah and Calor in the market. Dealers were sceptical of talk of a rights issue by Burmah, and continued to play down last week's market rumours that some sort of deal regarding Dutch group SHV and Calor could be on the cards. Yesterday's rise in the Burmah share price, up 7 at 548p, was said by specialists to have been the result of covering in a short market. Turnover in Burmah came to only 171,000 shares.

Other market statistics. including FT-Actuaries Share Index and London **Traded Options, Page 31**

NEW HIGHS AND LOWS FOR 1989

MENN HIGHES (1885).
SHITISH FLISSES (S) Ex. 2¹2:00 '90. Tr. 2²0:00 '17. Zr. 2 R. 4. Tr. 2²0:11. Tr. 2²2:00 '17. Kingspan, CHESMCALS (6) Legoria, Rentold, Schering, Yorkshine Chesma, STORES (6) Asprey, Body Shop, Elam, Meszies (J.), ELECTRICALS (6) Decomers E., Ericason, GEC, Piessey, Palen, Sandarson E., ENGINESERRIO (8) BM, Cook (W), Descular, Tax Habya, Thornton (G.W.), Viciero, FOOGS (6) Ashley Gro., BSN, Dalgady, Dantels (S.), Morrison (Yim.), Do. S-ipe Rd. P., HOTISS, 20 Jurya, Ryen, BEDUSTREALS (16) Avis Europe, Bhushird Toya, Brix, Visa, Brooks Barv, Carlatics Int's, Cress (J.), Dover Gry., Flacos, Handley-Waller, Monale Invs., Pacific Durlop, Rothe & Notice, TT Grp., Unitervar

Telacon, SD-Scicon, RUUEs instance by Season, C'bell & Arnstrong, Creighton Laba, Minty, Pergamon '85, Linsuite (2) SCE, Noble Raredon, TVS Ents, MOTORS (1) Davenport Varson, PAPENS (2) ATA Seictn., Engo-Gatzelt, TEXTELES (7) Londinger

cals which jumped 18 to 395p,

Pom., PAPERS (3) Burlord, DRG, Lowe H-S.
B., PROPERTY (3) Britannia Grp., F.S.M.
Prost., Mountie(s) S.25pc Pf., SRUGES (1)
FI Grp., TEXTRESS (1) Berty's of Wilcoy.
TRUSTS (17) OLLS (5) Brk. Gas., Calro
Energy, Floyd Energy, Mid. & Sort., TWOSE
Energy, Floyd Energy, Mid. & Sort., TWOSE
Energy, Grystellar (5) Automotion (1) GRI Ct.
Mov., MRRES (4) Acton Exp., Dominion Mag.
Parings Mid. & Grp., Stitutella (1) GRI Ct.
Marketz (2) ASS Bernett, Cupid.
MRESICANS (3) Bio-Parl Laba., Cloyfed,
CAMADIÁNS (1) Tarri Pure Yach., SUELDISS
(2) Calabbraid Roboy "A", Fed. Housing,
\$TORES (2) Lownion O'Naty., Storehouse,
BLECTREGALE (4) Notice, Northenbar. Mit.
Telescots, SD-Scioux, SEDUSTREALS (3)
Sestacons, CD-Scioux, SEDUSTREALS (3)
Sestacons, CD-Scioux, SEDUSTREALS (3)
Sestacons, CD-Scioux, SEDUSTREALS (3)
Sestacons, CD-Scioux, SEDUSTREALS (3)

Mr John Tysoe at Shearson Lehman Hutton who says "earnings growth for the group

APPOINTMENTS

Managing director of **Trusthouse Forte**

Mr Dennis Hearn has been appointed group managing director and deputy chief executive at TRUSTHOUSE FORTE. The company says the creation of this new post responsible for co-ordinating the role of the group centre, reflects continuing growth at home and overseas. Mr Hearn joined the group as managing director of Forte and Co in

BEAZER DEVELOPMENTS has appointed Mr Christopher P. Munday as managing director. He was divisional development director at Orbit Developments Southern

■ WSP HOLDINGS has formed a new company - Cairns & Byles Motorway Systems - and appointed as directors Mr Peter Byles, Mr Jim Millington, and Mr Bill Knox.

MAINLAND INVESTMENTS, Warrington, has appointed Mr Jerry Dennis as managing director. He was regional sales development manager with V.A.G. (United Kingdom).

M WOOLWICH EQUITABLE BUILDING SOCIETY has



MR DENNIS HEARN 1969, and has been deputy chief

appointed to its executive Mr Martin Peacock as head of computer services, and Mr David Benaron as head of computer development

Mr C.S.J. Summerlin, executive chairman of PLYSU, retires at the end of the year but will remain on the board as non-executive chairman.

AUSTRALIAN NATIONAL INDUSTRIES has appointed Mr Eric A. Brightmore as managing director of Aurora, Sheffield. He has been with the Aurora Group since 1977 when he was appointed managing director of Wm. Oxley & Co. He joined the Aurora board in 1985. Mr T. Dunlevy, senior financial controller in ANI, becomes

finance director of Aurora from October 1 when Mr A.L. Wallis moves to another post.

Mr Michael Young has been appointed executive director of the FOOD SAFETY ADVISORY CENTRE.

Mr Andrew Barber has been appointed regional director Far East, of RBC MANNIN, a specialist investment management and financial planning subsdiairy of The Royal Bank of Canada Group. He will relocate from London to Hong Kong.

■ Lord Thomson of Monifieth has been appointed chairman of THE GRANT LEISURE GROUP. He was IBA chairman

■ LAZARD BROTHERS & CO has appointed Mr Steven Oliver as a non-executive

■ SUN ALLIANCE GROUP has made the following appointments in its European commercial insurance department. Mr Harry Driver hecomes departmental manager: Mr Barry McConway, commercial insurances manager; Mr Jeremy Riley, special risks insurances manager, and Mr

Howard Rutter, marketing

and development manager

HERTZ EUROPE has appointed Mr Antoine Can as regional vice president operations, Rent A Car. He has specific responsibility for Hertz in France, and in January this will be expanded to include additional countries Europe. He will relocate to European headquarters outsid

Mr James I. Perry has been appointed sales and marketing director of BRITISH SPRINGS part of United Industries, and maker of Durafiex vehicle

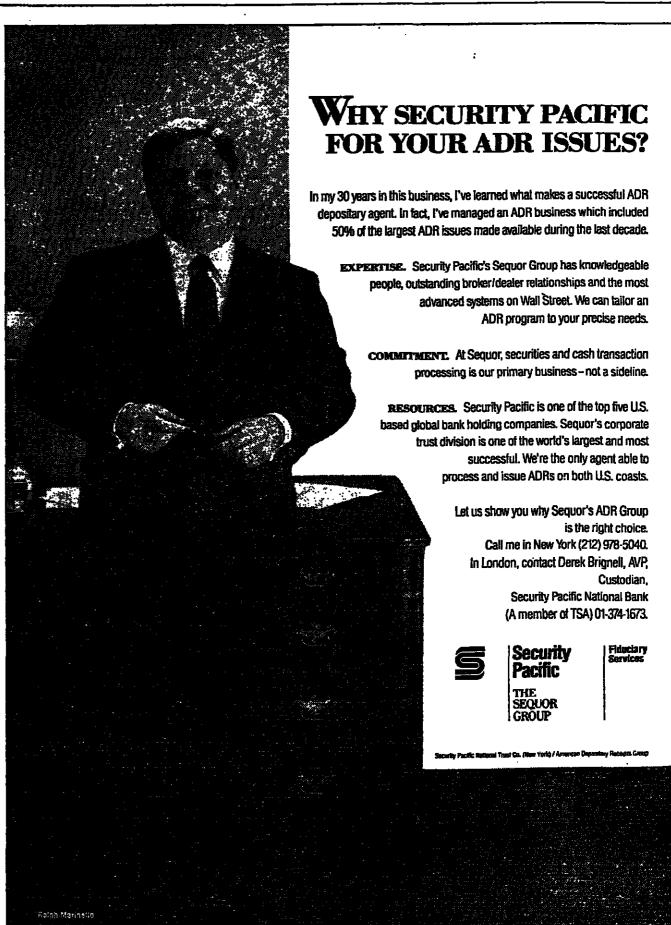
Mr David Townsend, deputy head, has been promoted to head of MIDLAND MONTAGU FUTURES. He is succeed Mr Michael Stone, who was an assistant director responsible for business develonment.

■ FINANCIAL INSURANCE GROUP has appointed Mr Richard Coumbe as sales and marketing director. He was assistant marketing director.

■ Mr Tim Pain has been appointed a director of INDUSTRIAL OWNERSHIP.

■ Ms Sue Grice has been appointed financial director of KINGSWAY ROWLAND, part of Saatchi and Saatchi. She was financial controller, and remains company

Mr Steve Wilson has been appointed managing director of CALLITHEKE UK. He succeeds Ms Claire Watson who has moved to head newly-formed Callitheke



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AUTHORISED	Seit Care. Pild Story or Vicid Care Price Pilcs Price - Eri Buckmaster Mangant Co Ltd - Contt. Buckmaster Mangant Co Ltd - Contt. Buckmaster Mangant D 171.9 182.9 90.4 4 19 82		Latt Cape. Bid Offer + or Yield Carry Price - Cris I Asset Management (1.290)F Lerling Management Ltd		Bid Offer + or Yield No. Price - Grs Conto, Prodestial i	ish Caer. Bid 9ffer to Tred Cargo Price Price - 6*9 idiben Hit Tets List 01445H I, third Esso 61 20. 91-478 3377 1 1 Fiding Sem List Lis 0800 010345	Charge Price Price Price CA & Williamson Unit Tst Mars (1909)F Home St. Leodog WIAJAS
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FINANCIAL TIMES WEDNESDAY JULY 26 1989 FT UNIT TRUST INFORMATION SERVICE **LONDON SHARE SERVICE** COMMONWEALTH & BRITISH FUNDS-Contd **BRITISH FUNDS AFRICAN LOANS** | Section | Sect LOANS **FOREIGN BONDS & RAILS** Foreign & Colonial Magnt (Jersey) Ltd +0.001 9.00 -0.041 7.50 +0.001 9.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 -0.101 6.00 **AMERICANS** Five to Fifteen Years 10.40 Prospective real redemption rate on projected inflation of CD 10.50 10% and CD 5%. (b) Figures in parentheses show RPI base 10.20 month for indexing, 0c 8 months prior to tessed and have been 10.47 adjusted to refect rebasing of RPI to 100 in January 1987. 10.41 Conversion factor 3.945. RPI for November 1988; 110.0 and for 10.53 kms 1999-115. est Services Inti(z) 221.59 24.84 0.05 22.80 27.38 0.01 519.65 0.01 5131.79 0.01 0452.77 0.01 74407 11

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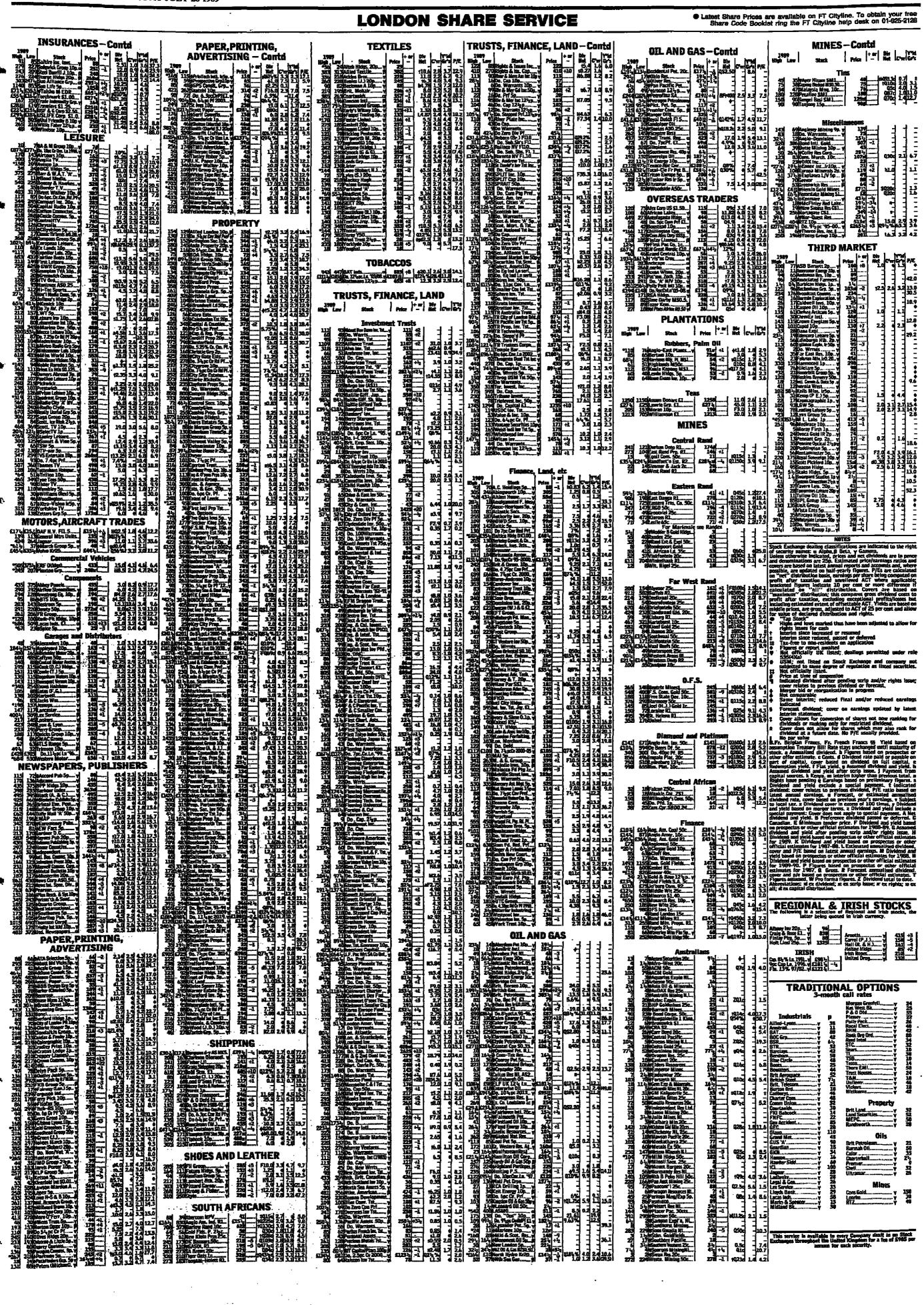
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and yen lose ground

THE DOLLAR finished below its best level yesterday on a day remarkable for its lack of trading volume. The US unit dence following the poor showing by the ruling Liberal Democratic Party in Sunday's elections in Japan. However, was marked down in early trading, failing to take advan-tage of a weaker tone in the Japanese yen. Investors remain cautious because there is an overriding feeling that US interest rates are set on a course of gentle decline as the US authorities move to minimise the possibility of an eco-

nomic recession. The dollar was initially marked lower after the release of US June durable goods orders. These showed an increase of just 0.3 per cent compared with expectations of a rise nearer 1.0 per cent. However, a breakdown of the fig-ures showed that the underlying rise was more than this, and the dollar recovered to close above the day's lows. Against the D-Mark, it finished at DM1.8935 from DM1.9090 and Y142.55 compared with Y143.25. Elsewhere, the dollar closed at FFr6.4275 from FFr6.4700 and SFr1.6310 compared with SFr1.6450. On Bank of England figures, the dollar's exchange rate index fell to 70.3 from 70.6. The yen continued to suffer from a lack of investor confi-

July.25	Latest	Previous Clase			
ESpot	1.6280-1.6290 0.66-0.65pm 1.95-1.92pm 7.40-7.30pm	1.6349 - 1.6259 0.72 - 0.70pm 1.97 - 1.92pm 7.00 - 6.85pm			
Forward precisions and discounts apply to the US dollar					

•	STE	PLIN	G IND	Eχ
			July.25	Previous
30 200 300 300 300 400 400 400 400	am am am am pm pm pm		왕성성당당당청성당	92.6 92.6 92.6 92.5 92.7 92.7 92.7 92.6 92.6

		ł	<u> </u>
CUR	REN	CY RA	TES
July.25	Bank rate %	Special? Drawing Rights	European † Corrency Unit
Sterling # U.S Dollar U.S Dollar Canadicas \$ Austrian Sch. Belgian Frant. Belgian Frant. Heth Gollder Fresch Franc Hathan Lira Japanese Yen Norwey Krone Stgentsh Peckel Sterlin Krone	7 12.39 7.75 5.00 5.50 13.3 8 - 9.55 20.4 8 - 9.55 20.4 8 - 9.55	1.28103 1.26523 1.50373 16.9743 50.4985 9.37725 2.41165 2.72088 8.1797 1742.82 183.181 188.2498 151.322 8.21198 2.0004	1.48444 1.09604 1.30165 14.5948 43.4113 8.0563 2.33872 7.03108 1495.54 155.966 7.61746 7.03478 7.03478 1.78599 179.432

CURRENC'	MOVE	Ments
July.25	Bank of England Index	Morgan** Guaranty Changes %
Sterling U S Dollar Canadian Dollar Austrian Schilling Belgian Franc Danish Krone Denische Mark Swiss Franc Guider	92.4 70.3 103.8 106.7 106.2 103.7 113.3 107.7 110.5	-18.7 -7.2 +0.4 +9.7 -1.3 +20.6 -18.7 +13.3

rench Frast	99.6 99.8 137.6	-15.4 18.7 467.5
Morgan Guarant 1982 = 100. Bank of 1985 = 100) ^{con} tates are	changes: a England Index for July 24	rerage 1980 (Base Averag

OTHE	R CURRE	NCIES
July 25	2	S
Argentina Australia Brasil Finland Greece Hong Kong KonsalStib Kunsalt Lunembourg Malaysia Melaysia Melaysia Sand Ar Sangapere S. At (Con) Tahwan U. A. E.	1054 60 - 1063 40 21610 - 21635 32189 - 32275 6 9095 - 6,9305 118 259 108125 - 12 6725 118 259 108125 - 1090 55 0.48120 - 0.48130 64 45 - 64 55 4 3395 - 4 3505 2 8025 - 2 8085 4 1775 - 3 1825 4 186 - 41 75 4 186 - 41 75 4 186 - 41 75 5,9880 - 5,9850	650.00 - 655.00 1.3315 - 1.3325 1.9625 - 1.9975 4.2630 - 4.2650 7.8050 - 7.8070 72.507 664.90 - 670.30 0.29550 - 0.2950 39.60 - 39.70 2.5780 - 2.6800 2.7570 - 1.7300 1.7570 - 1.9590 4.0900 - 4.1755 2.6300 - 2.880 4.0900 - 4.1755 3.6720 - 3.6730

MONEY MARKETS

INTEREST RATES were virtually unchanged in London yesterday, not because of a

lack of direction but because

investors were unwilling to

carry exposed positions ahead

figures for June. Furthermore, turnover is likely to be reduced

of today's release of UK trade

UK rates steadier of local authority bills and £16m of eligible bank bills in band 1 and £50m of bank bills in band 2, all at 13% per cent. In Frankfurt, the Bundesbank announced a sale and repurchase tender at a fixed rate of 6.60 per cent. The result of the tender will be

announced today, when successful applicants for the 28-day facility receive their alloca-

tions, coinciding with a matur-ing agreement that drains DM6.8bn from the system. The

decision to offer a fixed-rate

tender is seen as underlying the authorities' desire for inter-est rate stability.

The Bundesbank's central

council meets tomorrow for the last time before the summer

recess and the mood of the market suggests that the

authorities will try and keep

speculation on possible interest changes to a minimum. By yes-

terday evening there was no announcement on whether or

not the Bundesbank will call a

news conference after the

meeting. Call money yesterday was quoted at 6.85-6.95 per cent, unchanged from Monday. In New York, the US Federal

Reserve refrained from intervening in money markets and may wait until today - the last day of the two-week account-ing period - before draining

erves. Overnight Federal

funds were trading at 9% per

cent against 91 per cent on

as a result of yet another oneday strike on the UK rail sys-Three-month interbank money was quoted at 14-13-

UK clearing bank base lending rate 14 per cent from May 24

per cent compared with 14-13% on Monday. Overnight money opened at 14-13% per cent and moved up to a high of 15% before finishing at 11% per

The Bank of England forecast a shortage of around £100m. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills, together with the repayment of late assis-tance draining £387m. These were partly offset by Exche-quer transactions which added £60m to the system, and a fall in the note circulation of £25m. In addition, banks brought forward balances £200m above

There was no help given by the Bank in the morning, but in the afternoon it bought £91m of bills comprising £15m

elections in Japan. However, attempts to push the dollar firmer against the yen soon encouraged profit-taking. But the Japanese unit was again the Japanese the Mark the lower against the D-Mark, the latter rising to Y75.28 from Y74.98 on Monday.
Sterling finished towards the day's low as investors dis-played a degree of uncertainty ahead of the release today of UK trade figures for June.

There was also some reaction to a softer tone in money market rates following the release of the Confederation of British Industry's latest quarterly survey on business trends. This indicated that business optimism was lower than at any time over the past seven years. Traders believe that the UK Government's policy of high interest rates is beginning to show through in the form of an economic slowdown. The pound's exchange rate index closed at 92.4, down from 92.6 on Monday. Sterling was higher against a weaker dollar at \$1.6265 from \$1.6180 but lost

at \$1.6265 from \$1.6160 but lost ground against the D-Mark to DM3.0800 from DM3.0900. It was unchanged against the yen at Y231.75 but fell elsewhere to FFr10.4550 from FFr10.4700 and SFr2.6525 compared with SFt2.6625.

The Bank of Spain made further aftempts to control the rise in the Spanish peseta by intervening at yesterday's fixing in Madrid to buy \$119m at the fixing rate of Ptal18.72. The peseta was also strong in terms of the D-Mark, and the authorities appear determined to prevent a break by the D-Mark below the Pta62.70 level; the peseta is also trading close to the Danish krone's lower cross-rate limit.

E	EMS EUROPEAN CURRENCY UNIT RATES								
		Eco tentr. rate	8	Currency amounts against Eco July 25	% change from central rate	adi	change ested for rengence	Din	ergence alt %
Belgian Franc Danish Krone German D-Ma French Franc, Dottch Guilder Irish Pant. Italian Lira Spanish Peset Changes are f Adjustment co	or Ecu. th	42.4 7.85 2.05 6.90 2.31 0.768 1483 130.0 gretore pos 7 Financia	212 353 903 911 960 900	43.6113 8.05861 2.07337 7.03108 2.33872 0.775736 1495.54 129.968	+2.63 +0.72 +1.84 +0.83 +0.95 +0.81		1 00 11 39 0 52 10 60 0 41 1 129 10 18	±1 ±1 ±1 ±1	5424 ,6419 ,1019 ,3719 ,5019 ,6689 ,0815
POU	POUND SPOT- FORWARD AGAINST THE POUND								
July.25		eaq e,c		Clase	One month	% p.a.	Three		% p.a.
US	1.9270 3.464 64.25 11.95 11505 3.074 257.00	1.6290 1.9365 3.4814 64.70 11.9914 1.1550 3.0814	1.93 3.47 64 11.90 1.15 258	60 - 1.6270 00 - 1.9310 74 - 3.484 45 - 64.55 84 - 11.994 15 - 1.1525 74 - 3.084 60 - 259.60	0.70-0.69cpm 0.30-0.22cpm 21g-2cpm 34-3gcpm 51g-43gcpm 0.50-0.45cpm 2-13gpm 11-26cts 7-15cets	162 7.12 5.95 3.25 4.95	0.854 51 131-1 120-1	2.94mm 73mm -5%pm 1-84pm 1-24pm 1-10pm -54pm -1506s	4.81 1.64 6.54 5.40 4.40 3.99 6.82 -1.91

	4.70-64.80	2215 - 22234 11.284 - 11.32 10.424 - 10.46 10.504 - 10.534 231 - 2224 21.62 - 21.73 2.645 - 2.655 1.4825 - 1.4855 rates taken towards Sin-month forward of	2214; 2220; 11:31-11:32 10:45-10:46 10:525-10:536 2314; 2324 21:70-21:73 26:44; 26:73 1:4855-1:4865 the end of Landon briollar 3:87-3:82cpm	12 months 7.02-6.	92cpm		285 471 218 8.41 5.89 6.50 4.56
Ki		Day's			%	Three	%
CU	elandy arada elands elghan esmark f. Germany ortugal aly ormany rance meden apan mitzerland cu	1.4070 - 1.4155 1.1860 - 1.1865 2.1295 - 2.1410 39-50 - 39.75 7.334, 7.375, 1.8475 - 1.900 118.45 - 1.905 1.845 - 1.905 1.845 - 1.905 1.845 - 4.95 4.90 - 4.4 6.454 - 6.484 1.210 - 1.42.65 1.210 - 1.42.65 1.210 - 1.42.65 1.206 - 1.620 1.6200 - 1.0906	1.4055 1.4095 1.1875 1.1855 2.1370 2.1380 39.60 39.70 7.384 7.374 1.8930 1.8949 138.45 158.55 119.05 119.15 1364 1.1355 6.424 6.474 6.425 6.43 6.474 6.474 1.236 1.42.60 1.3344 1.1335 1.6305 1.6315	0.08-0.03cpm 0.33-0.35cpm 1.30-2.00cpm 0.05-0.30credis 0.37-0.35cpm 60-83bute 50-60ute 3.40-3.00lmetis 0.05-0.32cpm 1.33-1.48bredis 0.49-0.47ypa 1.30-1.50cpm 1.30-1.50cpm 1.30-1.50cpm 1.30-1.50cpm 1.30-1.50cpm 1.30-1.50cpm	0.900000000000000000000000000000000000	0.32-0.225m 0.93-0.93ds 0.95-0.91m 7.00-4.53pm 0.55-0.95ds 0.96-0.93pm 0.55-0.75ds 1.65-1.75ds 1.60-10.75ds 3.40-3.70ds 3.40-3.70ds 1.20-1.23dpm 4.30-4.55ds 1.27-1.23dpm 4.30-2.63pm 0.710-6.63pm 0.710-6.63pm	0.76 3.74 0.92 1.98 0.91 5.73 3.01 2.74 1.70 1.70 1.70 1.70 1.70 1.70 1.70 1.70

S Doular 94.7 94.7 94.7 94.7 88.8 88.8 85.4 an. bellar 124.112 124.212 122.113 123.114 114.115 114.11 114.1	July.25	Short. term	7 Days notice	Car Month	Three Months	Six Mantis	One Year
9 53-52 54-54 53-52 52-54 53-52 53-5	S Dollar	91, 41 124-114 7-64 7-64 91, 9 11-9 11-9 85, 85, 85, 85, 85, 85, 85, 85, 85, 85,	61-9-121-121-121-121-121-121-121-121-121-	91-9 122-118 71-63 71-63 61-63 91-9 124-111 81-83 81-83 51-52	981 121-111 71-71 71-71 61-68 91-9 121-114	81-81 114-112 71-71 71-68 61-61 91-9	74.74 63.64

EXCHANGE CROSS RATES										
July.25	£	5	DM	Yen	F Fr.	S Fr.	H Fl.	Litra	C S	8 F
Ę	i 0.615	1.627	3.080 1.893	231.8 142.5	20.46 6.429	2653 1.631	3.478 2.138	2220 1364	1.992 1.187	64.5 39.6
DM	0.325	0.528	1	75.26	3.3%	0.861	1 129	720 8	0.627	20 9
	4.314	7.019	13.29	1000.	55.13	11.45	15.00	9577	8.330	278.
F Fr.	0 956	1.555	2.945	271.6	10.	2.536	3325	2122	1.846	61.6
S Fr.	0.377	0.613	1.161	87.37	3.943	1	1311	836.8	0.728	24.3
H FI.	0.288	0.468	0.885	66.65	3.007	0.763	1	638.3	0.555	18.5
Ura	0.450	0.733	1.387	104.4	4.712	1.195	1567	1000.	0.670	29.0
C S	0.51B	0.843	1.995	120.0	5.417	1.374	1.801	1150	2994	33.4
B Fr.	1.550	2.522	4.775	359.4	16.22	4.113	5.392	3442		100

15730 15924 15750 15824 15750 15824 15750 15780 15752 15824 - 15824 FT LONDON INTERBANK FIXING

ble 8%	after 9	748 pid	offer 8}2
he fixing rates are the arith	metic speams remained to the	nearest one-statements, of the b	ld and offered rates for \$10m
soted by the market to live	reference banks at 11.00 a. John Rack Racese Matical	m, each working day. The bar is do Paris, and Morgan Gaas	NG SIG HYTHING MECHANISMS

bld 84	after 9	148 total	offer 8½
The fixing rates are the arth quoted by the market to live Bank, Bank of Tokyo, Deni			

MONEY RATES							
NEW YORK			Treasur	Bills and i	Bonds		
Lunchtime		One month Two search		8 14 Three)69f.,	7.84 789	
Prime rate Broker loan rate Fed. fonds Fed. fonds at intervention	101	Taree month Sto month One year		8.35 Fire 7 8.08 Seven 7.95 10-w	#	7.82 7.92	
July 25	Overnight	Ose Month	Two Months	Three Months	Siz Morths	Lombard Interventiga	
Frankfurt. Paris Zarito Zarito Tokyo Tokyo Brussets Dubits	6.85-6.95 94-94 639-68 514-54 124-125 9-94	6.85-7.00 881-94 7-74 7.05-7.15 53-54 124-124 84-84 94-94	6.85-7 00 8)2-94 914-93	5.85-7.00 813-9-4 7-7-1 7-10-7-20 513-513 12-1-2-1 8-1-8-1 9-1-10	6.85-7.05 812-93 -	7.00 8.75 - - -	
	OND	ON M		RATE		One	

LONDON MONEY RATES								
July.25	Overnight	7 days notice	One Month	Three Months	Six Months	Qne Year		
Interbank Offer	15 b 11 b 13 b	144 134 13H	14 133 138 137	14 137 138 138	134	13.6 13.6 13.6 13.6		
Local Authority Bonds Discount Mix Deps Company Deposits Finance House Deposits Treasury Bills (Boy)	1412	13%		87555555 875555555	133	路		
Bank Bills (Bey) Fine Trade Bills (Buy) Bollar CDs SDR Linked Dep Offer	:	:	1316 1424 9.05 84 94	14.5 8.85 8.7	127 135 8.72 8.4	8.52 8.5 8.5 9.5		
SDR Linked Dep Bid ECU Linked Dep Offer ECU Linked Dep Bid	, - <u>1</u>	<u> </u>	9	914	8% 9% 9%	91		

one-month 134 per cent; three discount 13.2762 pc. ECGD Fin Agreed rates for period July 25 1 15.51 pc. Reference rate for per Aushority and Finance Houses & Rate 14 from July 1, 1989; I Certificates of Tax Deposit (Seri	months 13-5 per cent ped Rate Sterling Export 989 to August 25, 1981 riod June 1 to June 30, even days' notice, others Sank Deposit Rates for es 6); Deposit £100.000 ent; three-six months 11 lister £100.000	e months 13.1 per cent; Bank Bills (sell): Tressury Bills; Average tender rate of Finance. Make up day June 30, 1999. 9. Scheme I: 14.90 p.c., Schemes II & III: 1969, Scheme IV&V: 14.175 p.c. Local seven days fitzed, Finance Houses Base 0 and over held under une months 19.2 per 1 per cent; six-nue months 11 per cent; r cent from December 1,1988, Deposits Local Authority deposits 7 Days 13%.

FINANCIAL FUTURES

Weak tone ahead of trade data

short sterling fell below sup-port at 86.30 but avoided test-ing 86.23, and recovered to fin-

West German Government

bond futures recorded further useful gains, following the announcement of a fixed rate

sale and repurchase tender in

Pats-Sep 0.03 0.05 0.10 0.21 0.38 0.59 0.83

the Frankfurt money market.

UNCERTAINTY AHEAD of today's release of UK trade fig-ures for June reduced both the value of short sterling con-tracts and the turnover in Liffe trading yesterday. Volume was also curtailed by the proximity of today's strike by UK rail workers. Many investors were content to square off their posi-tions in the hope that there will be plenty of time to react

The September price for

The	Septemb	er pr	ice for	This '	was re	garde	as h	aving
FE LO	NG GOLT PUTURE Albs of 180%	S OPTIONS	-	LIPPE U	S TREASU 64ths of	RY 8010	UTURES	OPTERMS
riter 192 93 94 95 96 97 98	Calls-settlement Sep Der 3-51 3-56 2-54 3-07 1-63 2-28 1-15 1-54 1-63 1-23 0-21 0-62 90kmer total, Call y's open int. Calls.	Sep 0-03 0-05 0-15 0-31 0-59 1-37 2-26 2011 Pate	1380 19856	Strike Price 92 94 96 98 300 102 104 Estimates	Sep 5-36 3-39 1-52 0-39 0-09 0-02 8-01	ttlements Dec 5-50 4-09 2-48 1-43 0-60 0-33 0-17 otal, Calls 27	Sep 0-02 0-05 0-18 1-05 2-39 4-32 6-31	Dec 0-28 0-51 1-26 2-21 3-38 5-11 6-59
FE \$/5	OPTIONS cods per SII)			LIFFE EL	REDOLLA E of 100°	R 0P12045	i	
rike rice 145	Calls-settlement Aug Sep 17.30 17.30	Puts-sq Aug 0.00	Sep 0.02	Strike Price 9075	Catis-se Sep 0,72	tilements Dec 1.11	Parts-se Sep 0.03	atlements Dec 0.08

Previous	day's open las	Cals 196	Puts 23	
LONG	ON (LIF	FÐ		
29-YEA 550,800	9% 1973 32nds of 19	ul gilt 1%		_
Sep Dec	82-54 82-54 83-55	High %-01 95-20	42-50 42-50	ç
Estárcada Previous	d volume 649 dzy's open in	5 (5047) L 28542 (28909)	

Sep Dec	85-34 95-34 95-15	Mg4 96-01 95-20	42-50 42-50 724
Estimated Previous de	vokante 649 ay's open la	5 (50477) L 28542 (28909)
7-10 YEA \$50,000 3	9% NOTE 2nds of 18	MAL GET 1%	
Sep Des	Class	Kigh	Law
Estimated Previous da	soprae () (()) L 0 (C)	
US THEAS	12nds of 18	8%	
Sep Dec	Close 97-17 97-11	High 97-17	17-08 97-08

	d volume 297 day's open in		425	
	BNAL CERN 60 19945 si		9010	
Sep Dec Mar	Close 95.52 95.50 95.44	Hist 95.53 95.50 95.35	95.41 95.43 95.35	Pres. 95.37 95.36 95.27
	í volume 126 day's open la			
	1004L LONG 1004L		MJESE 6	evi.
Sep Dec	Close 105.72 105.17	High 105.72 105.16	Low 105.62 105.08	Pres. 105.24 104.69
	i volume 347 isy's Opta is		n	

	hames at 7	** ~		
Sep Oes Mar Jon	Close 86.30 87.10 87.87 88.26	High 86.33 87.14 87.88 88.27	Low 86.24 87.06 87.79 88.17	Pres 86.3 87.14 87.8 88.26
Est. Vol. (Previous d	ller. figs. no ay's open le	t shown) 1 t. 91347 (9323 (131) 91631)	11)
THEFE M Sim point	明祖 国教 6 d 306%	OBLLAR		
Sep Bec Mar Jua	Close 91.44 91.78 92.03 92.03	High 91.46 91.80 92.06 92.06	91.39 91.75 92.01 92.06	Pres 91.32 91.72 91.93 91.93
Est. Vol. (Prenions d	lac. figs. eo ay's open in	i. shows) 4 L. 49220 #	155 (4300) (8960)	
	ing of 186,			
Sep Dec Mar	93.18 93.28 93.43 93.44	High 93.21 93.32	93.17 93.28 93.28	93.16 93.26 93.97 93.43

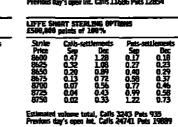
ja Ja	93.43 93.44	93.37 93.43
	l valume 1979 (1463) lay's open int. 14649 (14821)	
FT-SE 10 225 per l	9 INDEX all ladex paint	
Sep Dec	Close West Low 2301.0 2303.0 2275.0 2346.0	Pitr. 2283.5 2328.5
	volume 2490 (2171) lay's open int. 19374 (19280)	
POSHID-S	FREISH ECHANGE	
Spot 1.6265	1-min 3-min 6-min 1.6196 1.6070 1.5881	12-mtk 1.5568
DAM-STE	ALTHG \$4 per £	
	Latest High Low 1 6122 1 6120 1 6110	Prev.

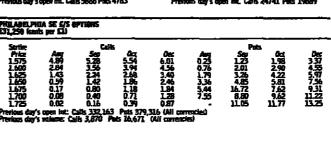
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		_		. 89	jæ	L 90		. 90	
	ABN C ABN P Aegon C Aegon P	F1. 45 F1. 45 F1. 110 F1. 105	609 474 296	1.80 2.20 2.30 3.20	35 345 103	2.60 4.50 4.80 7.50	23 - 2	3.80 6.50	FI. 44 80 FI 44.80 FI 105.70 FI 105 70
	Aboutd C Alczo C Alczo P Amer C	FI. 130 FI. 150 FI. 140 FI. 55	74 433 205	3.90 3.50 2.30 2.70 2.80	243 13	7.50 6.50 5.50	11 2	10.50 8.50 7	Fl. 128 Fl. 142 Fl. 142 Fl. 54.20
	Ann P Ann C Buhrwann-T C DAF N V C	Fl. 55 Fl. 90 Fl. 70 Fl. 60	433 205 50 85 626 34 186	1 Z	146 27	4.50 2.90	20 -	5.50 b	F1. 54.20 F1. 89 40
	N.V. DSM C N.V. DSM P Eisevier C Gist-Brac. C	FI. 140 FI 125 FI 80	219 139 148	1.30 2.70 b 4,80 2.70 b	23 24 1	4 90 6.80 4 3.40	2 43	8 4.60	FI, 54.50 FI, 127.20 FI 127.20 FI 78.20 FI, 34.60
	Gist-Broc. P Heineken C Heineken P	FI. 35 FI. 35 FI. 140 FI 120 FI 115	606 256 118 39 714	2.20 2 3.30 2.20	135 162 4	2.80	100	7 5	FI. 34.60 FI. 131.30 FI. 131.30
	Hasgovers C Hasgovers P KLM C KLM P KNP C	FI 115 FI 55 FI 50	335 334 125	8.90 1.50 2.70	3 28 18 14	11 20 b 2.70 3.30 3.70 a	10 26	380	FI, 114.10 FI, 114.10 FI, 51.30 FI, 51.30 FI, 56
	KNPP NEDLLOYDC NEDLLOYDP Nal Ned. C	F1. 60 F1. 55 F1. 470 F1. 420	335 394 125 138 28 28 28 30 415 133	2 20 16 50	4	28 50 2,50	=	360	F1. 56 F1. 451 50 F1. 451.50 F1. 451.50
	Nat Ned P Philips C Philips P	FI. 70 FI 65 FI 45 FI 45	691	1.10 2.20 3.70 2.30	1123 81 214	4 <u>50</u> 4 20	175 8	390 6	FI. 66 FI. 42.20 FI. 42.20 FI. 142.60
	Royal Dotch C Royal Dotch P Uniferer C Uniferer P	FI. 150 FI. 140 FI. 150 FI. 150	768 148 608 269	6.60 3.50 4.10	14 18	8.70	25	_ 10.50 ь	FI 142 60 FI 151 60 FI 151 60
l	Van Ommeren C Van Ommeren P Wessanen C	Fl. 45 Fl. 45 Fl. 95	269 582 203 59	2.40	5 2 2	3.40	2 1	4.1g 5	FI. 46.30 FI 46.30 FI 91.40

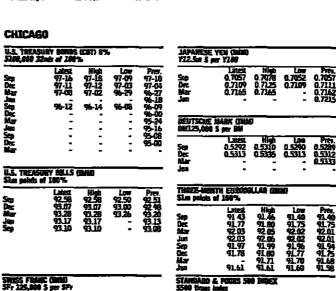
rates, and the September bond rose to 95.52 from 95.37 on Mon-

ish at 86.30, up from 86.27 at the opening, but down from Monday's close of 86.33. US Treasury bonds moved higher after the Fed's decision not to drain reserves in the money market which could have pushed short-term inter-est rates higher. The Septem-ber price finished at 97-17 from 97-12 at the start and 97-08 at

Strike		Wenerks	Pots-se	dJemen
Price	Sep	Dec	Sep	Des
9400	1.55	1.79	0.03	0.2
9450 9500	1.09	143 112	0.07	0.43
9550	0.69 0.38	0.25	0.36	0.02
9600	0.18	0.62	0.66	112
9650	0.08	0.44	1.06	14
9700	0.04	0.30	1 52	188







BASE LENDING RATES Adam & Company

Adam & Company

AAB - Allied Arab Bk

Allied Irish Back Comm. Bk. H. East . Horthern Bank Lid Courts & Co.

Courts Bank PLC

Duncan Laurle Robert Flereina & Ca. ...

 Henry Anskacher
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 City Merchants Bank Members of British Merchan W messers of terrish mercan Banking & Securities House, Aspociation. * Deposit new 5.9% Savenis 8.5%. Top Tire +C10,000-lostant across 12.8% & Mercage-base rate. § Demand deposit 9%. Mortgage 13.25% - 15%. Lleyes Basek Megizaj Sank Lid McDowell Doeglas Bak Miskand Bank Moant Banking Nat Bk, of Kanak

High Law Prev. 0.6162 0.6142 0.6131 8.6186 8.6163 0.6156 0.6200 - 0.6174

EUROPEAN	OPTIONS	EXCHANGE

	Aug	. 89	Set	. 89	Get	. 89	
Series	Val	Last	Val	Last	Vel	Last	Stock
Index C Fl. 250 Index C Fl. 250 Index C Fl. 295 Index C Fl. 300 Index C Fl. 300 Index C Fl. 310 Index C Fl. 310 Index C Fl. 310 Index C Fl. 320 Index C Fl. 320 Index P Fl. 290 Index P Fl. 290 Index P Fl. 290 Index P Fl. 300 Index P Fl. 300 Index P Fl. 315 Index P Fl. 315 Index P Fl. 316 Index P Fl. 316 Index P Fl. 316 Index P Fl. 317 Index P Fl. 318 Index P Fl. 320 Index P Fl. 320 Index P Fl. 325 Index P Inde	3	22 b 1850 b 1850 b 100 c 1.10 c 1.10 c 1.40 c 4.40	275 39 35 25 59 20 6 37 400 247	750 b 1150 b 1150 b 1150 b 1150 b 1250 b 1250 a 10.20 - 1300 b 1490	500 515 15 25 49 62	14.80 9 b 5.30 2.10 3.60 7	FI. 316.37 FI. 316.37

		Oct	. 89	jæ	. 90	Apr	. 90	
ABN C	F1.45	609	1.80	35	2.60	_ ខ	3.80	FI. 44 80 FI 44.80
ABN P Aegon C	FI. 45 FI. 110	474 296	2.20	345	4.50	Ž	6.50	F1 105.70
Atgon P	Ft. 105	69	2.30 3.20	1 103	4.80]	FI. 105 70
Abotd C Altzo C	FI. 130	74 433	3.90	243	7.50	.7	10.50 8,50	FI. 128 FI. 142
AkmP	FI. 150 FI. 140	205	350	13	6.50 5.50	112	7 7	Fi. 142
Artier C	FI. 55 FI. 55	50 85 626 34 186	2.30	-	I - I	-	J - :	FI. 54.20
Anger P Ange C	Fl. 55 Fl. 90	85	2 70 2 80	146	4.50	20	5.50 a	F1. 54.20 F1. 89 40
BUHRWANN-T C	Fi 70	34	2		1		الاستدا	Fi 66.50
DAFNVC	F1. 60	186	1.30 2.70 b	23	2.90	-	ļ - I	FI. 54.50
N.V. DSM C N.V. DSM P	FI. 140 FI 125	219	2.70 b	24	4 90 6.80	ž	ā	FI. 127.20 FI 127.20
Elsevier C	FI. 60	148	2.70 b	1 135	4	-		FI 78 20
Glst-Broc. C	FI. 35	606 256 118	2.20	135	3.40	43	4.60	F1. 34.60
Gist-Broc. P Heineken C	FI. 35 FI. 140	776	2.2	162	2.80	-	7 7	FI. 34.60 FI. 131.30
Heineken P	Fr 120	714	3.30 2.20	1 -		100	ÍŚ	F1. 131.30
Hoogovens C	Fi 115	714	B.90	l ;	امتما	10	, <u> </u>	Fi. 114.10 Fi. 114.10
Hangovens P KLM C	FI 115	335 394	150	28 18	11.70 b	26	380	Fi. 51.30
KLM P	F1.55 F1.50	125 138	2 70 ·	頁	330 370 a		-	FI. 51.30
KNPC	Ft. 60	138	2	14	3.70 a	-	1 - I	F1. 56
KNPP Nedlloyd C	FI. 55 F1, 470	26	2 20 16 50	آة	28 So		l : i	F1. 56 F1. 451 50
NEDLLOYD P	FJ, 420	30	1 · a	1 -	1	-	l - }	Fi. 451.50
Nat. Ned. C Nat. Ned. P	FI. 70	28 28 39 415 133	1.10 2.20	137	Z.50	5 3 175	3 60	FI 66
Phillips C	FI 65	1842	الإحدا	1123	3	175	396	FI. 42.20
Philips P	FI 45	691	3 70 ·	81	4.50	8	6	FI 42.20
Royal Dolch C	F1. 150	758		214 14	4 20	_	, - I	FI. 142.60 FI. 142.60
Royal Dutch P Utilever C	FI. 140 FI. 150	148	6.60	lii	8.70	25	10.50 ь	FI 142 60 FI 151.60
Uniterer P	FI. 150	269	3.50	l ā	- 6	-		Fi 151 60
Van Ommeren C	F1, 45	582	4 10	2	3.40	-	1	FI. 46.30
Vas Ommeres P Wessanen C	Fi. 45 Fl. 95	203 59	2.49	1 2	3.40	2	4.10	FI 46.30 FI 91.40
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	A-Ask	B=		C = Call		Put		
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Nationale Maatschappij der Belgische Spoorwegen (N.M.B.S.) US\$ 75,000,000 Floating Rate Notes due 1991 guaranteed by The Kingdom of Belgium

(of which US\$ 50,000,000 have been issued as an Initial Tranche)

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from July 25, 1989 to October 25, 1989 the Notes will carry an interest rate of 8 1/18 % p.a.

The interest payable on the relevant interest payment date. October 25, 1989 against coupon n°15 will be US\$ 2,284.03 per Note of US\$ 100,000 nominal nd US\$ 5,710,07 per note of US\$ 250,000 nominal. and US\$ 5,710,07 The Agent Bank

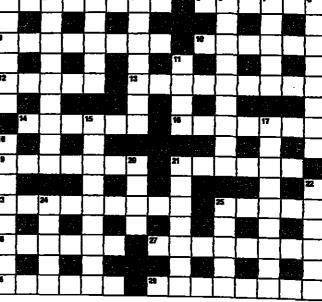


KREDIETBANK S.A. LUXEMBOURGEOISE

JOTTER PAD

CROSSWORD

No.6,995 Set by DANTE



ACROSS
1 Capital gains to a manufac-turer? (8)
5 Troops used in support (6)

9 They periodically take self-sacrificing journeys to the sea (8)
10 A film's been made out of it

(6)
12 Very small driving area close to New York (5) 13 See my girl going round a seaside resort (4,5) 14 Distorted vowels of Black Country players (6)

16 He mocks a glutton (7)
19 Taken from cover and shot (7) 21 Site my allotment to hinder

golders (6)
23 A new lease isn't strictly necessary (9) 25 He is a pound out on reflec-

tion (5)
26 Murder mother for the estate (6) 27 After which competitors

come out of their shells (4.4) 28 A fool to assume the solution (6)
29 A shocking swimmer straying all over the place (5-3)

1 Raise a hand to a superior? (6) 2 The first lieutenant is a less sensitive individual (6.3)
3 Mediterranean island's toplessness observed frost-

 Gapes at spectacles (7)
 A collection of service people, perhaps (9)
 Spending some surplus in gold (5)

8 There were many mates in this ship (5,3)

11 A doctor's name (4)

15 Anonymous lover is quite a

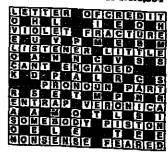
card (9)
17 Exhibition's not so bad? Ain't it just! (5,4)

18 Rose, as the century drew to a close (8)

20 The prosecutor is on the platform (4) 21 Everything disposed of in

the open market? (4,3)
22 Tired agent takes shelter inside (6)
24 Simple soul wrong about

24 Simple sour wrong about doctor (5)
25 Carry on playing for the club (5)
Solution to Puzzle No.6,994

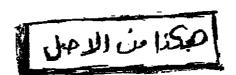


A Section House to be seen in the

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JOTTER!

SSWORD



WORLD STOCK MARKETS

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HELETUM/LUXEMBOOKS		Carriero	714 +14 3475 -25 471 -19 1166 -19 1266 -19 1266 -19 1266 -19 1266 -19 1266 -18	Confloental AG	777 -02 373 -03 979 -44 7875 -745	NETHERLANDS July 25 · Fis.	Pharmacia B 0 Saab-Scanta B Sandrift B Orre Strandia (Free)	Free 247 350 722 285	キサイヤイヤイキガマ	100 100 166
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	July	349	July	July	1 2	399	Stace on	mpilation		25	24	21	20	High	Low
	24	21	20	19	High	Low	High	Lów	AUSTRALIA Ali Ordinaries (1/1/90)	1606.5	1607.6	1603.0	15%4	1607.6 (2477)	1412.9 (7/4)
Maries 126			2575.49 92.92	2584.41 92.85	2507.36 (21/7) 93.02	2144.64 (3/1) 87.35	2722.42 (25/8/87)	41 <u>72</u> 02/7/32)	All Missing (1/1/80)	749.9	748.8	744.7	739.8	749.9 (25/7)	652.6 (7/4)
loge Sonis Transport	9275	92.93	1232.37	1	1240.30	23/3 25/3 959.95	1240.37	12.32	AUSTRIA Credit Akties (30/12/84)	354.90	351.28	346.56	344.85	366.67 (21/6)	219.5 (2/1)
tike	215,92	217.05	1		24/7) 217.68 09/7	(3/1) 181.84 (24/2)	(20/7/89) 227/83 (22/1/87)	10.50 10.50 18/4/32)	BELGIUM Bressels SE (1/1/80)	6070.04	6068.87	년	6060.12	6158.43 (13/6)	5519.30 (4/2)
Ony's High 2607.55	(2613.8)) Low 25	7L36 (2	59.29			<i></i>		DENBLARK Constitutes SE CV1/830	346.06	346.09	349.88	349.78	356.65 (12/7)	275.49 (27/2)
STANDARD AND POL Compositor:	333,67	1			335.73 09/70 384.22	275.31 (3/1) 318.66	336.77 (25/8/87) 343.17	4.40 0,6132) 3.62	FINLAND Voltas General (1979)	777.B	778.2	779.0	778.4	815.8 (18/4)	723.3 (4/1)
jadiętriels Fixencial	30.35 31.75	353 3181	391.96 31.72	354.22 31.85	394.22 0.9/71 31.85 0.9/71	3156 2130 2130	393.17 (25/8/87) 32.63 (25/8/87)	21632 8.64 0.7074	FRANCE CNC General (31/12/82) Inc., Tendance(30/12/88)	495.5 118.3	496.7 118.1	491.8 117.2	491.8 116.8	496.7 (24/7) 118.3 (25/7)	417.9 (4/1) 97.5 (27/2)
NYSE Composite Large Alice Value NASDAQ OTO Comp	186.03 359.82 465.98	18715 571.28 449.29	186.11 371.19 449.24	187.10 372.40 451.23	187.10 0.9/7 372.40 0.9/7 453.65	154.98 (3/1) 505.24 (3/1) 578.56	187.99 (25/8/87) 372.40 (19/7/89) 465.28	4.46 25/4/420 29.31 01/12/720 5A.87	GERMANY FAZ Akties (31/12/58) Connerthank (1/12/53) DAX (30/12/87)	637.75 1903.9 1555.83	638,40 1906,6 1543,30	638.88 1906.7 1555.40	635.11 1894.6 1550.82	638.88 (21/7) 1906.7 (21/7) 1555.85 (25/7)	535.78 (27)2) 1595.7 (27)2) 1271.70 (23)2)
			22	July :	(9)69	uly 7	(26/8/87) Year ago 4	(31/10/72)	HOME KONG Hang Seng Bank CO1/7/649	2517.02	2482,54	2495.74	2543.08	3309,64 (15/5)	2093.61 (5/6)
Dow Industrial Div	. Yield		.47	35		3.63	3.5		ITALY Space Com. (tal. (1972)	664.01	666.17	677.08	682.02	683.39 (1777)	577.49 (28/2)
S & P industrial di S & P.indi, P/E rat	y yleid .	7	92 4,10	Jely 2.9 13.8		uty 5 3.06 3.47	year ago (3,1 14.1		JAPAN Madel (16/5/49) Tatyo SE (Tapta) (4/1/60)	34538.90 2584.07	34093.33 2546.61	33899.43 2533.06	*33664.8 2509.42	34538.90 (25/T) 2584.07 (25/7)	30183.79 (5/1) 2366.91 (6/1)
TRADUIG ACTIVITY		litos dr 21. ·	†Volum Jely 20	` I .	Issues Tradeo	July			NETHERLANDS CBS Til Rin Gen (End 1983) CBS Ali Siv (End 1983)	256.4 199.6	255.4 198.8	256.6 199.7	256.3 199.5	256.6 (21/7) 199,7 (21/7)	208.3 (3/1) 164.7 (1/3)
ter York 13	6.360	76.827 14.279	207.22 1A.3b	š	Rises Falls Gachangel New Highs	= }	770 1944 331 712 335 647 334 525 89 82 28 22	1,983 641 861 481 2 308	OPP 2E GUIRD) Morman	661.50	662.36	662.95	664,42	668.90 (1.4/7)	467.17 (2/1)
M 19	8.064	144.762	166.61	7	New LOSS	=	28 2	23	SHIGAPORE Straits Times Ind. (30/12/66)	1371.37	1558.90	1361.91	1365.39	1371_37 (25/7)	1030,69 (4/1)
CANADA) H	· 1	_	Mag	July	History	1989	Line	SOUTH AFBICA LISE GAIG (28/9/78) LISE INSIGNAL (28/9/78)	1572.04 2676.84	1572.0 2675.0	1597.0 2680.0	1596.0 2680.0	1639.0 (23/3) 2680.0 (21/7)	1291.0 (15/2) 1961.0 (3/1)
Metals & Minerals	1 2	27 3	327.6	3309.6 3886.2	3308.8	3564.9 (6/2 3901.4 (21/	3 320	7.5 (3/1) 0.5 (6/1)	SPAIN Madrid SE (30/12/85)	302 31	302.83	302.59	302.50	315.90 (13/6)	268,61, (1/3)
MONTREAL Portfolio		-	74.76 E	964.96		974.76 (21,		.48 G/D	SWEDEN Jacobson & P. (31/12/56)	4404.3	4993.6	4386.2	4367.5	4404.3 (25/7)	3333.9 (3/1)
NEW YO	RK	AC'	LIVE	: ST	OCK				SWITZERLAND Series Bank Incl. (31/12/56)	763.2	766,6	763.9	762.1	766.6 (24/7)	913'T G\I)
Wordsy Harner Counts	Stock trade 4,734	s Clo 6 pr 400 6		day 14 Bo 23 He	na	tr	eds Cesi aled priz 177,600 45 165,100 89 110,200 137	· 100 day	WORLD N.S. Capital Incl. CJ1/701	20	522.7	525.1	520.9	252.1 G7/LV	487.6 (13/6)
Keltoralds Smithkiler Beck , Marion Lakt	3 067 3 067 2 934	600 6	64 54 ±	Tie	&T	;	30,200 137 33,800 37	4 - 1 2 + 3	Subject to official reca	uculetier	L				

TOKYO = Most Active Stocks

Tuesday July 25 1989

Stocks Glosing Change
Traded Prices on day
37.40m 1,800 +40 Sumitorne Con'n. 17.00m 1,820 +50
32.70m 2,840 +70 Sumitorne Con'n. 17.00m 1,820 +50
32.40m 1,800 +30 NrK Line ... 18.50m 1,970 +110
22.40m 980 +27 Sumitorne R&D ... 13.90m 2,050 +10

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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COMPOSITE

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COMPOSITE **PRICES** *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | Steek Ganety Dax.
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It's attention to detail

AMERICA

Indecision about rally erodes early advance

Wall Street

EQUITIES fluctuated yesterday as uncertainty grew about whether the recent rally could continue, writes Janet Bush in New York

The Dow Jones Industrial Average piled on 20 points in the morning in a reaction to Monday's 22.38 point loss, but then it began to retrace its steps. At 2 pm, the Dow stood 7.39 points higher at 2,592.37 on

volume of 111m shares. After an explosive rally which has added nearly 7 per cent to the Dow index this month, the market is in two minds about its next move. While there has seemed to be

substantial buying support on any significant dip in the

index, some analysts believe there should be a large correction before the market can build extensive gains. Resistance appeared in the morning when the Dow breached the 2,600 level, helped on its way up by some bargain-hunting and programmed busing

June durable goods orders figures and the latest Employment Cost Index had little impact. Orders rose 0.3 per cent last month, close to analysts' expectations, but fell 0.7 per cent once defence orders were stripped out. The Employment Cost Index rose 1.1 per cent in the second quarter compared with a 1.2 per cent gain in the first quarter and a 1.1 per cent increase in the sec-

There was some excitement in the bond market, although it did not produce any large price movements. The US Federal Reserve omitted to drain reserves through matched sales agreements as had been widely expected. Fed Funds dipped to 9% per cent amid speculation that the Fed may have initiated its next mone-tary easing move and that the Fed Funds rate is headed towards 9 per cent.

Bond analysts were undecided about whether the omis-sion of matched sales constituted an easing move, but said that there was at least a suspicion that the Fed had started to allow Fed Funds to drift. This speculation did not have very much impact on the

dence is preliminary. If the Fed has started to ease policy, it is something of a surprise. There was an equivocal interpreta-tion of yesterday's economic data in the markets and many had thought that the Fed would wait until the August 4 publication of July employ-ment data before initiating another shift in policy.

The picture may become learer tomorrow, the first day of the new two-week statement period and the day when preliminary second quarter gross national product figures are

Among featured issues yesterday was UAL, which rose \$7% to \$184% on a press report that Mr Marvin Davis, the Los Angeles investor who previ-ously tried to buy NWA, had

on low volume, defying domes-tic and international opinion .

"The fundamentals say 'sell,

sell, sell' - that the market is

going the wrong way," said Mr David Bates of James Capel. Inflation fears, he said, were

not helped by yesterday's news that Hong Kong's consumer

price index for June rose 11 per

cent from a year earlier.

A brightening view of the

local property market helped break the losing streak. The

Hang Seng index, which lost

over 60 points on Friday and Monday, ended yesterday 34.48

points higher at 2,517.02. Yet

on Friday it did the reverse, on

rumours that the latest govern-

ment land tender attracted a

top bid of HK\$2.7bn, at least 10

per cent lower than expected; and Mr Bates notes that pri-

vate land auctions yesterday

built up a 3.5 per cent stake.

AMR benefited from the revival of takeover speculation in the airlines sector and rose \$1% to \$67. NWA, in contrast, fell \$% to \$120%.

Warner Communications fell \$1 % to \$66 and Time lost \$1 to \$136% following Time's acceptance of 100m shares under its \$70 a share tender offer, the first stage of Time's takeover of Warner.

Canada

BARGAIN-HUNTING on Wall Street helped Toronto add to early gains in a frisky midsession with industrials and banks helped by expectations of lower interest rates. The composite index rose 14.2 to 3,908.0.

Record property prices, including yesterday's \$\$1,161 per sq ft for Cecil Court, are a reminder that Hong Kong

money and talent is moving

into Singapore, said an analyst.
AUSTRALIA was virtually

unchanged in quiet trade, before today's local inflation data. The All Ordinaries index

dged down 1.1 to 1,606.5, end-

ing a sequence of six advances.

Bond Corp firmed 2 cents to
90 cents with nearly 1m shares

traded. The UK High Court ruled on Monday that Bond Corp is free to sell its 21.5 per

cent stake in Lonrho, which had sought a court order freez-

ing any dealings in the stake.

The property and retail con-cern, Hooker, tumbled 6 cents to 36 cents on worries about its

SEOUL rose sharply follow-

ing three consecutive sessions

of declines, and the composite index closed at 899.10, up 8.67. Manufacturing sectors led the rally, posting a 1.2 per cent gain in their sectoral index value. Financial shares rose by

a smaller 0.7 per cent in the index, in spite of the down-

ward movement of insurance

credit facilities.

Brazil repairs some of the damage after June plunge

But trading difficulties remain, writes John Barham

HEN Brazil's worst stock market scandal sent prices plunging by 54 per cent in early June, most observers agreed that the severe damage would take a long time to repair. Amazingly, prices have picked up, but trading is still troubled by underlying difficulties.

The scandal brought a wave of speculation in the stock

of speculation in the stock markets to a halt, forced the resignation of the central bank president, swept away eight insolvent brokerages and ruined innumerable careers.

Mr Naji Robert Nahas and Mr Elmo Camoes Filho, the two speculators at the centre of the affair, are wanted by the police and have not been seen since last Friday. Mr Martin Wimmer, the former head of the stock market regulatory agency, has been charged with two financially-related crimes.

Police investigators, a congressional committee of inquiry and a commission of wise men are arduously trying to reconstruct the events that led to the crash and propose more effective regulations.

On June 9, Mr Nahas, then Brazil's largest stock market speculator, sparked off the cri-sis by refusing to honour debts of \$31.1m, forcing the markets to close for one day. Mr Nahas is said to have accounted for half of the market's turnover. In the absence of the big time speculators, the stock markets have resumed growth, albeit at a more moderate pace. The value of Brazil's two main bourses has grown by a quar-ter in dollar terms so far this year, but that compares with

phenomenal growth of 131 per cent for the whole of last year. Mrs Maria Luiza B. Berenıer, an analyst at Brasilpaı Servicos Financeiros, a capital venture boutique, explained that investors "have seen that stocks are a good hedge against inflation. Good, wellmanaged companies with a

good market share have shown they can resist well the trou-bles in the Brazilian economy." The Sao Paulo Ibovespa composite index of 67 shares has ctimbed strongly this month. On Monday it closed up 0.3 per cent at 10,917 points. That is 29

THE MEXICAN stock market index jumped 3.7 per cent on Monday to reach 376,554 points following the conclusion of debt negotiations with the commercial banks, writes Richard Johns in Mexico City.

successful outcome to the talks - which reduces the bur-den of \$52.6bn of public debt by at least 35 per cent - deal-ings on the Bolsa Mexicana de Valores proceeded calmly but with renewed confidence.

Trading was lively as 32.6m shares changed hands.
Strong gains were made by stocks quoted on the New York Stock Exchange — the Mexico

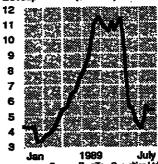
turer) 5.2 per cent, and Telmex (the state telecommunications monopoly) 5 per cent.
The market had already risen this year by nearly 80 per cent to last Friday, making Having already anticipated it the top performer in the FT-Actuaries World Index. The

> of 387,000. There was little interest on Monday in Cetes, or 28-day

> Fund was up 5.3 per cent, Tamsa (steel pipe manufac-

Treasury bonds - the predom-inant money market instru-ment and main source of government financing - on the secondary market.

Brazil: Sao Paulo Bovespa Index (\$ terms)



than the low registered on July 3, but still a long way below its 1989 high of 13,274 points regis-tered four days before the market collapsed.

June's plunge in share prices and a surging inflation rate have made equities all the more attractive. But wary traders have shunned the highly speculative shares in Petrobras, the state oil company, and Parapanema SA, a private mining company. These two alone represent 76 per cent of the Ibovespa index, suggesting that the index has underestimated overall trading gains. The market has sought less

liquid shares in private manufacturing companies which it believes offer sound prospects for long-term growth. Investors can find few other safe havens for their money, with inflation expected to rise by over 1,000

their speculative nature, however, trading has contracted abruptly. In Rio de Janeiro where speculation was most intense, daily turnover now averages only \$12m to \$13m, compared with volumes 10 times greater before the fall. Regulators have also closed the share options and index

Current trading difficulties include rumours of a new round of bankruptcies among brokerages which frequently shake the market. The equity market remains extremely nar-row: capitalisation in June was equivalent to just 11 per cent of gross domestic product.

Trading on inside information is as rife as ever. Policing is still lax and small investors have little faith in shares Fewer companies consider the equity markets as sources of finance: Brazil has 1,000 public listed companies but trading is concentrated in a select few.

future stock exchange presidents must be professional managers, instead of being should be separated, as they are in the US, and rules must be tightened and the regulators given more power and money.

If the Nahas affair prompts any of these overdue changes. not have been entirely in vain.

Nikkei climbs to record as turnover swells

HOPES for a post-election summer rally came a step closer to fulfilment as share prices surged to new highs and volume recovered strongly yester-day, writes Michiyo Nakamoto in Tokuo.

The Nikkei average advanced 445.57 to a record high of 34,538.90. This is the first time the Nikkei average has reached a new high since

The market came alive in a surprising turn-round from its recent sluggishness. Investors who had been waiting for activity to pick up apparently decided that the time was ripe - or simply lost patience - and flooded into the market, raising volume to 1bn shares

from Monday's 615m.
This was the first time turnover had surpassed 1bn shares in 38 trading days, while the rise in the Nikkei was one of the biggest gains of the year, The Nikkei reached a high of

34.542.51 after hitting a low of 34,155.79. Advances led declines firmed Y40 to Y2,310. Daiwa by 671 to 276 while 140 issues

THE direction of Wall Street

again provided a lead for many

bourses in the absence of news

at home, and performances

Frankfurt and Stockholm to thin, weak trading in Zurich,

FRANKFURT closed at a

year's high after opening mixed and remaining rather

gained "a tickle of life in the afternoon," said a salesman,

attributing this to optimism that Wall Street would pick up. He added, however, that the

market could now face a period

of consolidation, especially if

the US market were to suffer a significant setback.
The DAX index gained 12.53

to 1,555.83, another high for the

year, after a brief decline on Monday. The FAZ index, calcu-

lated at midsession, eased 0.65 to 637.75. Turnover was less

active than of late at

Schering, the pharmaceuti-cals concern, was one of the session's few features - "a lit-

tle hillock in an otherwise flat landscape," said the salesman.

It advanced DM36.90, or more

than 5 per cent, to DM739.70 in

the day's second most active trading. There was renewed speculation that a stake-

also been the subject of a num-

ber of rumours recently, con-

tinued to firm, adding DM8 to a

year's high of DM666. Allianz, which reported good results on

138.51 124.80 129.10 146.22 206.98 141.22 125.88 94.80 102.88 148.46 88.88 179.48 168.20 264.98 165.94 146.43 150.83 157.68 86.36 151.18

Deutsche Bank, which has

builder was at work.

NATIONAL AND REGIONAL MARKETS

France (127).
West Germany (100)...
Hong Kong (48)...
Ireland (17)...
Iraly (97)...
Japan (455)...
Malaysia (36)...
Mexico (13)...
Netherland (43)...
New Zealand (21)...

New Zealand (21).... Norway (25)..... Singapore (28)..... South Africa (60).....

The World Index (2430)...

Figures in parents show number of s per grouping

writes Our Markets Staff.

The Topix index rose a hefty

37.46 to 2,584.07 and, in London trading, the ISE/Nikkei 50 index gained 4.17 to 2,061.22. The strength of the market on Monday - after the devas-tating defeat of the ruling Liberal Democratic Party in elec-tions to the upper house of the Diet (parliament) and announcement that Prime Minister Sousuke Uno had decided to resign - helped to convince investors that it would be able to withstand negative factors.

Further political uncertainty hangs in the air, but the mar-ket appeared to believe that bad news that was out and done with was good news.

The relative stability on the

of the ruling party's defeat also helped renew confidence in interest continued to focus on housing issues on the assumption that the LDP and other parties would try to appeal to the public by improv-

currency markets in the wake

ng housing policy. Daiwa House surged Y70 to Y2,540 while Sekisui House

sidering a dividend increase, picked up DM10 to DM2,165.

AMSTERDAM picked up in

busier trading worth Fl 876m, helped by the strength of the German market and the firm

start in New York. The CBS

tendency index added 0.9 to

Biotechnology stock Gist

34.60 after trading resumed fol-lowing its decision to abandon

its takeover of rival ACF Hold-

ings. The latter fell Fl 7.50 to Fl

Gist was driven mainly by

the unwinding of short posi-tions. The boardroom row which appears to have precipi-

tated the dropping of the take-over could lead to Gist itself becoming a bid target, say ana-lysts. There have also been

negative noises from some bro-kers to the effect that a man-

agement crisis is bad news

when the company faces com-

petition and weakness in important markets.

their defensive qualities as the bourse approached its all-time

high; the CBS all-share index

closed at 199.6, just below its peak of 199.9 in August 1987.

Cable maker NKF Holdings

jumped Fl 19 to Fl 372 on heavy turnover amid rumours

of a takeover bid, possibly by a Japanese company.
PARIS had a quieter day,
with activity in Eurotunnel

again the main feature. The bourse ended at its day's high

MONDAY JULY 24 1989

126.92 114.35 118.29 183.99 189.86 129.40 115.35 86.87 94.27 136.03 81.44 164.46 172.48 173.20 152.06 134.18 138.21 162.81 179.13 138.51 124.48

123.22 123.65 126.78 125.84 208.81 126.94 127.76 94.09 103.11 149.36 194.32 194.32 122.65 61.48 179.39 149.88 179.39 149.88 179.39 149.88 179.39 149.88 179.39 136.78 171.11 188.07 136.51

Financials were in favour for

traded with 32.7m shares and Sekisui followed with 30.7m. Interest spilled over to the large construction companies. Ohbayashi topped the volumes list with 37.4m shares, rising

Y40 to Y1.900. Retail issues rose after a court injunction halted the issue of new shares by supermarket chains Chujitsuya and Inageya to each other in a defensive move. Real estate company Shuwa was expected to sell its stakes in both stores to a leading retailer, so bringing about a restructuring of the retail sector. Chujitsuya and Inageya were suspended but Dalei rose Y160 to Y2,980 and Ito Yokado Y80 to Y4,280.

Gains in housing and interest rate-sensitive issues in Osaka supported a 223.72 point rise in the OSE average. Volume recovered to 93m shares from 51m on Monday.

Frankfurt 'tickled' to another 1989 high

period.

GOOD NEWS from Tokyo boosted prices in a number of Asia Pacific markets, one or two of them breaking a opence of declines HONG KONG rose smartly

after a stronger opening on Wall Street; analysts said the

underlying tone was positive

but many investors were reluc-tant to jump into the market

during the quiet holiday

Eurotunnel saw about 3m

shares change hands, again

very heavy, but the stock steadled after its FFr21.50 drop

It ended just 10 centimes

weaker at FFr90.90. Eurotunnel

warrants were the day's most actively traded stock, off 10

The insurance sector contin-ued to see some interest, with

Drouot Assurances up FF12 at FFr466 after its FFr24.80 rise on Monday. There was specula-

tion that the Midi-Axa group

might be increasing its stake. Volume was estimated at a

low FFr1.6bn-FFr2bn after only

low FFr1.6bn-FFr2bn after only
FFr2bn on Monday. The OMF
50 index rose 1.75 to close at
the day's high of 504.36 and the
CAC 40 index was up 5.67 at
1,791.15. The opening CAC General eased slightly from its
all-time high on Monday.
MILAN had second thoughts
about the impact of politics on
share prices. Monday's fears of

share prices. Monday's fears of

a new capital gains tax under the Andreotti Government

were dismissed; and while the Comit index slipped another 2.16 points to 664.01 after the

previous day's 10.91 decline,

brokers were now putting both falls down to reaction after a

positive run in the past six

FRIDAY JULY 21 1969

126.23 113.56 120.11 134.09 153.45 129.44 115.03 86.96 94.89 135.41 82.96 164.82 171.91 114.87 80.86 173.53 152.30 133.26 138.28 138.28 138.28 138.28 138.28 138.28 138.28 138.28 138.28 128.91 128.92

weeks.

Gross Div. Yleid

4.84 1.97 4.250 1.550 2.297 2.2459 2.69 4.069 4.

138.02 124.17 131.33 146.60 211.52 141.52 125.77 95.08 103.53 148.05 90.95 180.20 187.92 126.54 189.73 166.51 151.19 178.32 158.60 153.02 156.60

FT-ACTUARIES WORLD INDICES

Jointly complled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood

Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

centimes at FF16.95.

attracted prices considerably lower than those in June. SINGAPORE climbed in relatively good volume. The Straits Times Industrial index rose by 12.47 points to a post-crash high of 1,371.37. The market appears to be concentrating on local prospects which are viewed as strongly bullish, at least in the short-term.

The economy is in good

shape, said one broker, and

corporate earnings for 1989 are

expected to be good, but people tend to take profits when the

holiday season is coming up. The threat by the new finance

minister, Mr Rino Formica, to

investigate the possibility of

market rigging during Mon-day's fall was just another

Some shares bucked the downtrend in moderate vol-

ume, including retailer Rinas

cente, up L100 at L6,160.

ZURICH weakened in sluggish trading, depressed by Wall Street's overnight fall and slightly higher Swiss interest rates. The Credit Suisse index

slipped 1.3 to 633.3. CS Holding gained SFr30 to SFr2,650 in busy trading. On

Monday, its largest asset, Crédit Suisse bank, predicted

an improvement in annual

STOCKHOLM finished at another record high in quiet trading. Early losses were

turned around at midday following better than expected producer price figures.

The Affärsvärlden General

index rose 4.9 to 1,286.9 – its 12th peak in 14 days. BRUSSELS ended steady

after a quiet session. Sugar refiner Raffinerie Tirlemon-

toise rose BFr80 to BFr2,520, with 217,000 shares changing

hands, as speculation contin-ued that a mystery stake-

DOLLAR INDEX

86.25 114.26

124.51 128.44 132.04 92.29 74.40 107.74 140.95 71.51 162.04 152.04 152.05 105.18 79.39 124.03 147.91 118.13 78.72

105.35

112.63

builder was at work

157.12 127.70 148.60 219.89 159.16 125.95 96.32 140.33 161.36 92.08 200.11 190.26 199.33 169.33 169.33 169.33 178.32 188.38 153.27 156.17 178.32 88.38 154.10 95.33

127.17

kind, he added.

SOUTH AFRICA

AN ABSENCE of incentives left Johannesburg mixed in thin trading. Gold shares were caught in the doldrums in spite of a firm bullion price.

per cent this year. With equities losing much of per cent more in dollar terms

compagnie bancaire

£400,000,000 **Revolving Credit Facility**

> Arranger and Agent S.G. Warburg & Co. Ltd.

Bank of America NT & SA

Commerzbank Aktiengesellschaft The Mitsubishi Bank, Ltd.

Senior Lead Managers

Bayerische Landesbank Girozentrale The Fuji Bank, Limited The Mitsui Bank, Limited

The Sanwa Bank, Limited

Banque Nationale de Paris London Branch

The Daiwa Bank, Limited

Kansallis Banking Group

The Nikko Bank (UK) plc

The Taiyo Kobe Bank, Ltd.

National Westminster Bank PLC The Sumitomo Trust and Banking Co., Ltd.

Lead Managers

Norddeutsche Landesbank Girozentrale London Branch Bayerische Hypotheken-und Wechsel-Bank AG

Managers Banca Popolare di Milano

Banca Nazionale del Lavoro
Paris Branch Bank fuer Gemeinwirtschaft AG London Branch Banque Internationale à Luxembourg S.A. (London)

Crédit du Nord Daiwa Europe Bank plc The Kyowa Bank, Ltd.

The Mitsui Trust & Banking Co., Ltd. The Royal Bank of Scotland plc

The Toyo Trust and Banking Company Limited

ASLK-CGER Bank

Union Bank of Finland Ltd
London Branch Westdeutsche Landesbank Girozentrale

Participants

Banque Leu (Luxembourg) S.A. Clydesdale Bank PLC

Girozentrale und Bank der oesterreichischen Sparkassen Aktiengesellschaft

Bank Leumi Le-Israel B.M. Cassa di Risparmio della Provincie Lombarde (CARIPLO) London Branch

Banque Française du Commerce Extérieur

The Mitsubishi Trust and Banking Corporation

Credito Italiano Hamburgische Landesbank London Branch

The Sumitomo Bank, Ltd

115.23 155.84 160.39 142.43 124.95 100.55 111.62 142.12 134.53 134.88 120.97 120,44 159,89 158,78 143,39 135,23 109,29 112,00 142,92 140,69 140,52 129,25 126.75 171.82 175.71 156.24 137.18 110.23 121.81 155.87 147.50 148.00 132.85 115.93 157.15 160.70 142.90 125.47 100.82 111.41 142.56 134.91 135.36 121.51 121,16 160,81 157,95 143,17 136,04 109,57 111,91 142,73 140,72 140,68 129,99 125.76 170.07 175.04 155.44 136.37 109.73 121.82 155.10 146.81 -0.6 +0.5 +0.2 -0.8 -0.3 +0.1 +0.1 3.42 1.77 0.72 1.61 3.31 2.80 4.68 1.68 2.02 2.21 3.41 -0.8 -0.4 -0.5 -0.5 -0.5 -0.5 -0.5 -0.5 -0.5 105.35 114.33 159.41 137.80 108.88 88.49 127.73 137.23 125.27 125.91 106.58 The United Bank of Kuwait PLC TSB Scotland plc London Italian Bank Limited 2.22 147.19 -0.5 134.87 140,46 147.98 Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited. 1967 Latest prices were unavailable for this edition.

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local index is now not far off its October 1987 all-time high

್ಷೇಕ್ ಬ್ಯಾಚಿಡ್ರೀಕ futures markets that were the epicentre of speculative market SUPPLIES T activity. In April, for example, one options exercise generated \$1,02bn in trading volume.

Consensus is emerging that

elected from exchange members. Banks and brokerages then the grief it caused may

